INSTITUTIONAL QUALITY, FUNCTIONAL SYSTEMS AND TRUST

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by

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CONTENT

(1) INTRODUCTION

Already for Emile Durkheim it was clear that the higher the quality of democratic institutions is, the higher the performance of corresponding political systems is (1983, p. 89). Similarly, Claus Offe argues that 'there might very well come no other answer into consideration for this, also practically and politically urgent, question than the fostering of institutions, which may possibly encourage the habitual praxis of trust' (Hartmann and Offe 2001a, p. 369; my translation). In other words, institutional quality may have both macro-level and micro-level consequences, such as trust. In extant scholarly literature, links between institutional environments and trust have already been analytically explored, especially by philosophers and sociologists (e.g. James Coleman, Martin Endress, Martin Hartmann, Niklas Luhmann, Claus Offe, Georg Simmel, and Piotr Sztompka). However, causal mechanisms that engender trust on the macro level as well on the micro level, such as between individuals, remain under-explored.

As social, political and economic systems have become increasingly complex, particularly in Europe and America, as Russell Hardin points out (2006, p. 5 and elsewhere), the notion of trust attracts a growing amount of scholarly attention, especially since the 1960s. In the more recent decades, sociological and philosophical thought has become increasingly focused on interrelations between institutional frameworks and their macro-level and micro-level effects, such as with respect to political systems. At the same time, the scholarly discussion of macro-level and micro-level causal mechanisms of trust remains in its infancy,

despite the presence of long-standing, but generally conceived sociological insights, such as those of Durkheim (1933, p. 26) in regard to solidarity, the relevance of which demands to be philosophically re-examined. In a related fashion, Diego Gambetta addressed the same concern when he wrote that 'the importance of trust is often acknowledged but seldom examined, and scholars tend to mention it in passing, to allude to it as a fundamental ingredient or lubricant, an unavoidable dimension of social interaction, only to move on to deal with less intractable matters' (Gambetta 1988, foreword). Furthermore, as not only Gambetta argues, 'the importance of trust pervades the most diverse situations where cooperation is at one and the same time a vital and a fragile commodity' (ibid., foreword).

This investigation will also inquire into the interrelations between institutional quality and political, social and economic systems as macro-level environments where generalized trust develops (Cook, Delli Carpini and Jacobs in Rosenberg 2007, p. 25-44). Given that across different situations dissimilar causal mechanisms can be expected to induce trust, the distinction between the macro level and micro level of analysis guides this inquiry into the antecedents and effects of institutional quality with special attention to generalized trust. In this study, trust is conceived of not only an individual-level variable but also as inextricably linked to its structural conditions, such as functional systems in which trust-related agency occurs, such as the political system. The allocation of trust, thus, needs to be understood with regard to its micro-level and macro-level causal mechanisms. At the same time, preceding scholarly discussions of trust-related causal mechanism have remained unsystematic, which necessitates this inquiry into causal interrelations that engender trust at the micro and macro level.

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(2) Part One: The Conceptualization of Institutional Quality

In recent decades, the notion of democracy remains philosophically debated, such as in Jürgen Habermas' works ranging from 'The Theory of Communicative Action' (1981) to 'Between Facts and Norms: Contributions to a Discourse Theory of Law and Democracy' (1996), due to its contested foundations in micro-level processes. Although a 'rational self must establish its unity' by 'trying to maximize the sum of pleasurable experience within its psychic boundaries', as also Rawls claims referring to one of the human capacities (Rawls, 1971, p. 561) - a thought which utilitarians generally take as postulate that happiness alone is good - nothing follows from it about the conception of right, the other of the two human capacities as Rawls discerns them, let alone form the priority of it the right over the good 'brought about by a Kantian interpretation of justice as fairness by which parties regard moral personality and not the capacity for pleasure and pain as the fundamental aspect of the self...and think of themselves as beings who can and do choose their finals ends (always plural in number)' (ibid., p. 563).

Yet the other, the second interpretation of the common good which makes use of Rawls' principles of justice, is based on a strongly egalitarian conception. Rawls summarizes:

> 'The reasonable presupposes the rational, because, without conceptions of the good that move members of the group, there is no point to social cooperation nor to notions

> of right and justice, even though such cooperation realizes values that go beyond what conceptions of the good specify taken alone. The reasonable subordinates the rational because its principles limit, and in a Kantian doctrine limit absolutely, the final ends that can be pursued'
> (Rawls, 1996, 317).

John Rawls characterizes considered judgement as a condition where human moral capacity is displayed without distortion, dismissing for example the ones 'made with hesitation', made when 'upset or frightened' and the ones 'in which we have little confidence' as they are 'likely to be erroneous or to be influenced by an excessive attention to our own interests' (Rawls 1971, p. 47). He states:

> 'Considered judgments are simply those rendered under conditions favorable to the exercise of the sense of justice, and therefore in circumstances where the more common excuses and explanations for making a mistake do not obtain. The person making the judgment is presumed then, to have the ability, the opportunity and the desire to reach a correct decision (or at least not the desire not to)....once we regard the sense of justice as a mental capacity, as involving the exercise of thought, the relevant judgments are those given under conditions favorable for deliberation and judgment in general.'
> (ibid., pp. 47-48)

Hence, Rawls proposes a theory of justice by trying to retrieve our innate capacity for it. Yet, his idea is not to merely list a set of judgements on institutions and actions but to formulate 'a set of principles which, when conjoined to our beliefs and knowledge of the circumstances, would lead us to make these judgments with their supporting reasons were we to apply these principles conscientiously and intelligently' (ibid., p. 46). This, so he continues, 'will certainly involve principles and theoretical constructions which go much beyond the norms and standards cited in everyday live' (ibid., p. 47). In his philosophical standpoint he includes

the fact that 'the best account of a person's sense of justice is not the one which fits his judgments prior to his examining any conception of justice, but rather the one which matches his judgments in reflective equilibrium....reached after a person has weighed various proposed conceptions' (ibid., p. 48). Rawls agrees, that 'it is doubtful whether one can ever reach this state [of reflective equilibrium]' (ibid., p. 49). Yet, so he goes on, 'all theories are presumably mistaken in places' and it nevertheless is imperative to find 'the best approximation overall' (ibid., p. 52). He wants us to see

> 'a theory of justice as a guiding framework designed to focus our moral sensibilities and to put before our intuitive capacities more limited and manageable questions for judgment....If the scheme as a whole seems on reflection to clarify and to order our thoughts, and if it tends to reduce disagreements and to bring divergent convictions more in line, then it has done all that one may reasonably ask.'
> (ibid., p. 53).

In brief, a view based on this appeals to the commitment to free public reason, where the rights and standpoints of all citizens are already incorporated in the majoritarian decision-making, and to the unconstrained public exchange of reasonable arguments baring the potential to produce a transformation of preferences.

In 'Political Liberalism' Rawls distinguishes between two sets of political laws, constituent power and ordinary power. He calls the two sets of laws 'the constitutional essentials' and 'the legislation of transient majorities' (1993, p. 233). The two kinds of 'the constitutionals essentials', on the one hand, consider the 'equal basic rights and liberties of citizenship that legislative majorities are to respect, such as the right to vote', and the 'fundamental principles that specify the general structure of government and the political

process' (ibid., p. 227). The latter notion, on the other hand, can be understood as the will of the majority enacted as policy.

Thus, it may substantially clash with pluralism and the ideas and values created by it. Democrats can only hope that the outcomes of the procedures, the result of mass consultation, will be just. Rawls proposes the following fundamental idea by which this dispute between democratic and liberal views could be resolved. He says: '…on matters of constitutional essentials and basic justice, the basic structure and its policies are to be justifiable to all citizens...' (ibid., pp. 224-25). So far this may only serve as an abstract model for fair conditions, although he specifies that in a political procedure mirroring it neither individual religious or philosophical doctrines nor economic theories may play a part. However, so he adds, the basic structure with its policies will only be justifiable to *all* citizens if we 'incorporate into [it] an effective political procedure which mirrors in that structure the fair representation of persons' (Rawls 1981, p. 45).

According to this view, under such conditions, fair arrangements will warrant fair outcomes advancing the common good as proposed above. The particular problem arising from this view is what is needed that an 'overlapping consensus' (Rawls 1993) can be achieved in pluralist societies where individuals are committed to their idiosyncratic conceptions of the good. The solution depends on Rawls' argument of separating the public questions from the private ones. The main objection against such a differentiation is based on Michael Sandel's critique (1982); he doubts the Rawlsian conception of identity and argues against the possibility of an 'unencumbered self'.

Thomas Nagel (1998) replies that because individuals are capable to apply reticence in social interaction the private-public distinction is an irrevocable human feature. Amy

Gutmann (1985) defends Rawls' view too. She argues that as we share some primary interests, free public reason is the most reasonable doctrine for any pluralistic, well-order society. It's enabling every person to freely choose her own valuable way of life while also making her act as a responsible citizen. A further objection is brought forward by Jürgen Habermas (1995) who criticizes Rawls for setting an unreasonable limit on the democratic debate. Habermas doubts whether Rawls' position is a sound representational platform as, according to him, no *dialogue* of different worldviews will be taking place. Rawls (1995) replies that Habermas' position is a comprehensive one, while his own account is free-standing, limited to the political arena only. He argues that his 'wide view of public reason' allows each and every citizen's reasonable comprehensive doctrines to be introduced one after another at any time in public political discussion taking place in associations and assemblies in order to explain the particular views to one another (1997, pp. 783-87).

According to Cohen 'there are three general aspects of deliberation....the need to decide on an agenda, to propose alternative solutions to the problems on the agenda, supporting those solutions with reasons, and to conclude by settling on an alternative' (Cohen 1989, p. 22). Cohen, echoing Rawls' thoughts, argues in his influential works that democratically legitimate outcomes can only be achieved 'if and only if they could be the object of a free and reasoned agreement among equals' (ibid.). However, these conditions hold only when 'no force except that of better argument is exercised' (ibid.) and when all individuals are both formally and substantively equal, that is, neither is any individual singled out nor does the existing distribution of power and resources shape their chances to contribute (ibid.), which is not realistic in most real-life settings.

Adopting decision-making principles based on self-determination is exposed to threats evoked by 'the manipulation or manufacture of impressions through focus-group-generated advertising and public-relations campaigns' (Fishkin 2006), which can be termed external determination. Individuals can also demonstrate 'accommodationist' preferences (Cohen 1989, p. 25), as opinions oftentimes coupled with rational ignorance where people are neither sufficiently informed nor sufficiently reflective. Democratic frameworks, conditions and institutions do not preclude the danger of oppression or subordination. Despite the Aristotelian notion of the human being as an essentially political creature, individuals may fail to exercise rational self-determination and the capability to apply reasonableness. Habermas, however, states: 'citizens are assumed to be moral persons who possess a sense of justice and the capacity for their own conception of the good, as well as an interest in cultivating these dispositions in a rational manner' (Habermas 1995, p. 112). A key question here is certainly whether conditions for institutional quality exist. The dissipation of social ties within community is likely to undermine such conditions and associated institutional frameworks. Furthermore, societies may not necessarily be equally able to meet the ideal-typical criteria of democracy.

(2.1) Institutional Decision-Making Processes

In most countries, political equality, such as with respect to inclusion, are realized to various extents (Fishkin 2009, p. 160). Societies are thus likely to differ with respect to the degree to which they demonstrate democratic conditions (ibid., p. 159). Social science studies indicate that institutional designs are associated with political environments (ibid., p. 133 and

elsewhere). The common understanding of democracy is that the value of it lies within the fact that citizens produce decisions by means of a political process where all participants may find themselves in the position to voice their individual interests in an unrestricted manner. The equal rights and chances of all members to exercise political influence in a democracy may fail to lead to the establishment or sustenance of a democratic order. In his earlier work, *Theorie des Kommunikativen Handelns* (1981), Jürgen Habermas thus argues that if the members of a society want to create reasonable decisions aiming for the common good, it is a must that a fair discursive quality of the decision-making procedure is established and secured within the political arena. Only under such circumstances an ideal-typical democratic order may be promoted. Habermas states:

> 'I speak of communicative actions when the action orientations of the participating actors are not coordinated via egocentric calculations of success, but through acts of understanding. Participants are not primarily oriented toward their own success in communicative action; they pursue their individual goals under the condition that they can co-ordinate their action plans on the basis of shared definitions of the situation.' (Habermas 1981, p. 385; my translation)

Habermas' fundamental argument in this book is that democracy needs to be based on unconstrained *discourse,* including the assembling and balancing of the abundance of information as well as the accounting for and the (continuous possibility of) revision of the multitude of perspectives, so that justifiable principles of decision-making are truly made allowance for. Thus, the institutional quality of democratic decisions is not granted merely by free expression. Properly carried out procedures of collectively gathered and openly discussed rational information that manifest in discursive argumentation may not necessarily lead to

discovering new or refined opinions for the best of a society as a whole. In a later work Habermas elucidates the difference between normative ideals and discursive practices that

> ‘stellt keine Tatsache fest, sondern ‚begründet‘ eine Norm, die in nichts anderem ‚bestehen‘ kann als darin, intersubjektive Anerkennung zu ‚verdienen‘ (…) Die Gültigkeit einer normativen Aussage verstehen wir nicht im Sinne des Bestehens eines Sachverhalts, sondern als Anerkennungswürdigkeit einer entsprechenden Norm, die wir unserer Praxis zugrunde legen sollten.‘
> (Habermas 1999, p. 297)

Looking at further later works by Jürgen Habermas shall help to gain further theoretical insight into his idea of an ideal discursive procedure. In *Between Facts and Norms* (1996) Habermas basically defines the public sphere as ‘a network for communicating information and points of view’, in which ‘streams of communication are….filtered and synthesized in such a way that they coalesce into bundles of topically specified public opinions’ (p. 360) as ‘informed processes of public debate geared towards discovering the best resolution of social and political problems’ (p. 151). Language, as he starts his argument on a quite elementary level, is at the basis of facilitating interaction between human beings[1]. By means of comprehensive communication, political procedures may be established and executed, so he claims. The requirements that are demanded from the agents are set quite high, some critics claim. But even if it was true, so Habermas argues, communicative rationality executed by speech acts may be regarded as source of reason in social interaction, and ‘democratic procedures are meant to institutionalize the forms of communication necessary for the rational will-formation’ (Habermas in Bohman and Rehg 1997, p 56).

[1] On a cross-cultural level one could, as an example, think of the worldwide sports community who has its proper language understood and spoken by all of its members from otherwise socio-culturally very different backgrounds.

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According to Habermas, at the bottom of any communication there need be comprehensibility, truth, (normative) accuracy and (subjective) veracity and the dialogue as such needs to take place in an unconstrained environment, that is, free of any domination or deceit. This includes the same rights and chances of all participants on the participation of dialogue. Some object that such a high standard of dialogue may be difficult to achieve in most cases. Habermas himself ascertains that this ideal situation may hardly ever be accomplished, since it needs to be fostered by institutions in which communicative reason shall be the fundament for action. As a matter of fact, many studies undertaken in social sciences indicate that ideal-typical cases of political, social and economic systems are indeed very rare (Fishkin, 2009 p. 190).

In most countries, political environments free of coercion and rid of asymmetrical power structures and monetary imbalances hardly exist. While Jürgen Habermas claims that everybody most be open to persuasion by the 'unforced force of the better argument' (Habermas 1993, p.23 and elsewhere), Habermas' discourse theory is likely to be distant from decision-making procedures in both democratic and non-democratic regimes. In his work *Between Facts and Norms* (1998), Habermas establishes an even more important quality of democratic procedures, while shifting his concerns to their possible legitimization deficits. Admittedly, for a political decision-making procedure to be legitimate it is not sufficient that most citizens feel that it is. Neither is power as such a warrant for legitimacy of a political regime. As Habermas states: 'the only legitimate law is one that emerges from the discursive opinion- and will-formation of equally enfranchised citizens' (Habermas, 1998, p. 408). In order to emphasize his view he adds that 'all rights ultimately stem from the system of rights that free and equal legal subjects would mutually accord to one another' (ibid., p. 409).

Habermas, may in this respect be read as being in line with a Rawlsian account of justice where rights are mutually granted to one another, adding that they necessarily need to be manifested in institutionalized, formal modes of social interaction. Habermas holds:

> 'With this conception, the burden of normative expectations in general shifts from the level of *actor's* qualities, competences, and opportunities to the *forms of communication* in which an in informal and noninstitutionalized opinion- and will-formation can develop and interact with the institutionalized deliberation and decision making inside the political system.'
> (ibid., p. 408; italics in original)

These two elements which make up institutional quality may be called the '*procedural political equality* and *substantial political equality*' (e.g. Schaal and Heidenreich 2007, p. 24; italics in original; my translation). The procedural criterion, on the one hand, is grounded in the requirement for equality in a democratic order. The substantial one, on the other hand, is further reinforced by the fact that (political) beliefs and decisions may be fallible, even when the decisions are left exclusively up to 'experts'. Originating from these criteria and connected to fallibility and the unavailability of authoritative sources there is a further issue which increases the pertinence for procedural requirements. This issue may be called the 'epistemological limitation' (Estlund 1993, p. 88). To this David Estlund adds:

> 'Thus, rather than supposing that the legitimacy of an outcome depends on its correctness, I shall suggest that it derives, partly, from the epistemic value, even though it is imperfect, of the procedure that produced it. Democratic legitimacy requires that the procedure is procedurally fair and can be held, in terms acceptable to all reasonable citizens, to be epistemically the best among those that are better than random.'
> (ibid., p. 174)

Shmuel Eisenstadt further develops this line of argument: ‘So konnte in der politischen Arena eine Kombination von Effizienz *und* Legitimität entstehen, auf deren Bedeutung für die Kontinuität konstitutionell-demokratischer Regime in der Forschungsliteratur oft hingewiesen wurde‘ (Eisenstadt 1995a, in Hartmann und Offe 2001, p. 358; italics added).

In Jürgen Habermas‘ view, in order to achieve legitimate democratic decisions it needs to be ensured that ‘authentisches Selbstverständnis der Rechtsgemeinschaft, die faire Berücksichtigung der in ihr verteilten Werte und Interessen sowie die zweckrationale Wahl von Strategien und Mitteln’ (Habermas 1992, p. 194) are being expressed. This position is, however, qualified in Rainer Forst’s statement that:

> ‘If a decision is made here in appropriate and acceptable procedures, the reasons it is based on are (a) not morally rejectable, therefore (b) generally acceptable in principle even though (c) not accepted as the best reasons there are. Thus, the agreement reached is a justified one, though neither accepted on the basis of the same reasons by everyone nor seen as the “best” solution by all.’
> (Forst 2007, p. 175)

This perspective is reinforced by Shmuel Eisenstadt:

> ‘Die Kombination dieser Bedingungen und die Rückkopplung zwischen ihnen – besonders das Entstehen eines gemeinsamen „Textes“ und die Bildung und Umgestaltung von Öffentlichkeiten und politischen Organisationen, zusammen mit einer kontinuierlichen Zerstreuung von Zentren der Macht und einer Entkopplung von Macht, Reichtum und Prestige – ermöglichen eine kontinuierliche Neuinterpretation und Bekräftigung der Legitimität der Spielregeln, indem nämlich primordiale, kulturelle oder zivile Orientierungen miteinander verwoben werden, ohne dass allen Gesellschaftssektoren eine ideologische Homogenität aufgezwungen würde. Möglich wird so auch die Reproduktion der Metalegitimation der Spielregeln konstitutionell-demokratischer Regime.‘

(Eisenstadt 1995a, in Hartmann und Offe 2001, p. 358)

Likewise, Ackermann and Fishkin (2004, p. 68) assert that 'change is occurring on the basis of factual learning and reasoned argument'. Thus, democratic political orders may fulfil their functions better the more the political virtues of citizenship are put into practice. Citizens may be expected to choose to exercise their civic virtues as they 'have a sense of justice, and this shared commitment to principles of justice provides a sense of solidarity that unites people with different conceptions of the good' (Will Kymlicka 2002, p 311).

(2.2) Towards a Theory of Institutional Quality

It can be argued that Habermas proposes a concept of democracy which is far too narrow: 'The most straightforward and appealing relation between the ideal theory and our actual practice is aspirational' (Fishkin 2009, p. 190). Thus, Mark Warren suggests that:

> 'Institutionalizing deliberative democracy turns, in part, on structuring incentives in such a way that communicative utterances that are not necessarily deliberative in intention are captured to produce dynamics that are deliberative in function. Deliberative institutions should not depend upon, or be defined by, the deliberative intentions of participants. Rather, we should be interested in deliberative functions of institutional norms, rules and constraints.'
> (Warren 2007, p 278)

At this point it may seem that we have to make a choice between the type I of institutional quality theories which represents an evaluative-descriptive benchmark and type II which, although being considered as realistically better achievable, opens up the risk to be

construed so broadly that essential aspects of institutional quality may become disregarded. However, these two types arguably mark the extremes of a gamut of positions where in practice the effective application may fall somewhere in between. Habermas' position can be seen to have evolved from his ideal type I in the direction of a less radical type II approach, admittedly without abandoning fundamental regulative principles. Expressing some doubt concerning the ideal discourse he writes in *Between Facts and Norms*: 'rational discourses have an improbable character and are like islands in the ocean of everyday praxis' (Habermas 1996, p. 323).

In this work, he thus incorporates three ideas of a type II institutional quality: 1) the demanding presuppositions of communicative action get weakened and shifted into institutional channels[2], 2) acceptable outcomes may now be legitimate bargains and compromises as well as consensus, 3) all forms of communication may be considered legitimate in the process of institutional operation. In fact, few philosophers still defend a purely type I approach as Bächtiger et al. (2009, p. 58) indicate. Nevertheless, as Habermasian institutional quality means bringing forth rational and justificatory claims with defensible cognitive contents, his precepts, however, ought not be neglected.

A '*sequential approach* whereby debates and communication processes are partitioned into smaller sequences' is proposed by Bächtiger et al. (ibid., p. 34; italics in original). According to this approach, elements of rational discourse, including justification by force of the better argument, sincerity and truthfulness, are embodied in the overall process at a later stage, while alternative forms of communication may initially 'spur reflexivity, rationality and

[2] Habermas refers to legal discourses here. As he specifies in a later work, court procedures are so firmly institutionalized that the institutional setting makes arguments count, regardless of the (strategic) intentions of the parties involved (Habermas 2007, p. 418).

desired outcomes' (ibid., p. 35) where these outcomes may consist of 'preference structuration, meta-consensus or intersubjective rationality' (ibid., p. 36 and elsewhere). Thus, the sequential approach does not dismiss the epistemic value of rational procedural standards yet it may also incorporate other, e.g. socio-culturally specific, elements of communication. As Bächtiger et al. describe it:

> 'alternative forms of communication could occur in earlier stages of communicative processes to counteract power inequalities and to further "deliberative capacity-building". Such inputs would then be integrated into canonical forms of argument in later sequences, involving a systematic weighing of counterarguments and proposals and a connection of particular perspectives to more generalizable interests.'
> (ibid., p. 59).

The Discourse Quality Index (DQI) proposed by Marco Steenbergen et al (2003) and developed further by Jürg Steiner et al. (2004), Bächtiger (2005), Bächtiger et al. (2010), Bächtiger, Pedrini and Ryser (2010) and Jürg Steiner (2012) is an attempt to operationalize the essentials of institutional quality, by identifying and evaluating its particular conditions and mechanisms[3]. Habermas supports the idea of a DQI too as it may capture 'essential features of proper deliberation' (Habermas 2005, p. 389). With different forms of democracy indicators, such as the DQI, the quality of local political regimes may be judged, e.g., in respect to institutional quality using various DQI indicators.

[3] In this respect it needs to be noted that although the DQI may be the best possible measuring instrument for (the diverse concepts of) institutional quality, its application hinges on the participants in particular functional systems (of a legislature, for example) agreeing to be evaluated by it, of course. Nevertheless, by selecting a total of 52 debates on polarized issues in the United States, the United Kingdom, Germany and Switzerland from the late 1980s and the 1990s, Bächtiger et al. were also able to show the relevance of the DQI (with regards to outcomes as well as quality of deliberation) in legislatures (Bächtiger et al. in Rosenberg 2007). Thus, they conclude that institutional quality 'can flourish within existing liberal and representative institutions…as legislatures do involve chances for open, respectful, and consensus-oriented deliberation' (ibid., p. 98).

Bächtiger et al. investigate two key indicators of the DQI, justification and respect:

1) No justification can claim force *a priori*, that is, the ideal discourse has no content that can be specified in advance. This objection is somewhat weakened as an argument can be measured in terms of supporting evidence for a conclusion rather than in terms of compelling evidence for persuasion. However, a proper measurement remains difficult due to the facts that a) it is not automatically the case that justificatory language *will* persuade, that b) unnecessary (pseudo-)elaboration may cover weaknesses in the argument, and that c) arguments are many times brought forward in sketches or short-cuts.
2) Where behaviour of disrespect, like degrading other participants or their arguments, is relatively easy to detect, respect is rather difficult to measure. Participants may be respectful on the surface, yet many subtleties, including irony or sarcasm for example, depend on context and are often difficult to uncover. Furthermore, acting out norms of appropriateness is hardly distinguishable from high levels of institutional quality. (Bächtiger et al. 2009, p. 40-42)

These challenges of measurement may in type II institutional quality not be as paramount as in a Habermasian ideal approach due to the fact that the over-specified preconditions for institutional quality are dispensed with to a certain extent. Nevertheless, middle-ground theories of democracy need to deal with these issues too. This also means that many challenges specific to type II institutional quality exist. In particular, these can include the problem of concept stretching, a process of under-specified institutional quality, the coercive rhetoric of demagogues, and communication grounded on group norms, which may become a threat to the fundamental characteristics of institutional quality. Apart from that, under certain conditions, institutional quality may become irrelevant, as Bächtiger et al. argue (ibid., p. 49).

Moreover, in some cases it may become hard enough to judge whether or by how much outcomes are actually a product of institutional quality. Positive results with regards to the

common good may sometimes be achieved by ways of communication not conforming to any particular institutional quality standard. As Bächtiger et al. sum up the issue: 'how are we to determine what counts as a "communicative outcome" – e.g., whether the unforced force of the better argument has carried the day – completely divorced from a communicative orientation and process?' (ibid., p. 50). Although Bächtiger et al. do not mean to dismiss type II institutional quality completely, they conclude, referring to experimental studies conducted by Schneiderhan and Kahn (2008) and Setälä et al (2007), that

> 'linking process rationality to deliberative outcomes might be productive' as 'actors engaging in deliberation arrive at different decisions than those who think on their own or "just talk". The more reasons provided within each group, the more likely participants were to change their position; similarly, the more inclusive – or respectful – groups were, the more likely participants were to change their positions' (Bächtiger et al. 2009, p. 53).

Of course, both of these theoretical types of institutional quality exhibit blind-spots summed up in the following table:

	Type I Deliberation	Type II Deliberation
Normative	• Potentially exclusionary to marginalized groups • Potentially utopian	• Concept-stretching • Coercive elements of alternative forms of communication • Lose sincerity and rational consensus as regulative of discourses
Empirical	• Need for a sharp operational distinction between strategic and communicative action	• Open question what drives deliberative outcomes

(ibid.).

In order to deal with the various shortcomings, Bächtiger et al. propose an approach which is grouped into sequences.

Middle-ground theories already attract well-known followers from the different camps of theorists. On the one hand, it is the case that type I scholars tend to agree that if institutional quality is likely to lead to inclusion, some of the 'less rational' elements as proposed in a type II approach need to be admitted. Even Jürgen Habermas moves away from an all too strict ideal too. He considers a workable concept to fill the conceptual gap between compromise and discourse. This view can be interpreted as corresponding to his conception of universal morality of reason that there are no limits per se to the reasonable and hence to the inclusion of argument. In a recent article, he writes: 'Where collectively binding decisions are concerned, all those affected must be brought into the consultation and decision process. For in practical discourse, the ''yes'' or ''no'' of a potentially affected person is important at least for epistemic reason' (Habermas 2007, p. 433). On the other hand, scholars of a type II style program recognize too that sincerity and rational consensus are elements which constitute the essence of high levels of institutional quality while threat, coercion or unrelated - e.g. emotional – communication should be excluded. John Dryzek writes on this: 'They need not necessarily be subordinated to rational argument, but their deployment makes sense only in a context where argument what is to be done remains central.' (Dryzek 2000, p. 167-68).

Bächtiger et al.'s sequential approach may be sketched as follows. The overall underlying mechanisms of institutional quality may be broken down into (two basic) levels of analysis, where the constituent parts fulfil different institutional quality criteria. Bächtiger et al. argue that institutional quality

> 'serves to level the playing field by providing a forum for contributions from people who might be otherwise unjustly disadvantaged in communicating their needs, wants, interests, or perspectives; […] by engendering trust, inclusion, respect [...].'
> (ibid., p. 56)

The institutional quality on the micro level can also be integrated into individual-level processes, 'involving a systematic weighing of counterarguments and proposals and a connection of particular perspectives to more generalizable interests' (ibid.). This may happen without necessarily applying what Elizabeth Markovits calls 'hypersincerity' (2006). Evidently, Bächtiger et al. defend the view that institutional quality's 'effect on respect and consecutive action can bring us closer to deliberative ideals, regardless of the motives of the participating actors' (Bächtiger et al., 2009, p. 56-7). As Dennis Thompson confirms, communicative inputs 'are still to be coordinated to create a […] system' (Thompson 2008, p. 515) characterized by institutional quality. To sum up, essential normative type I-standards of high levels of institutional quality may be seen as beneficial to individual- and system-level outcomes.

So far it appears that Bächtiger et al. have identified a proper middle-ground theorization of institutional quality at the theoretical level. Their approach does not only account for the epistemic value of Habermasian rational discourse but alternative forms of communication which promote capacity-building for institutional quality are factored in too. What they seem to have achieved is a notion of institutional quality which does not fall in into the trap of rashly abandoning essential procedural standards. Not only do the elements of the implied type I concept, like rational discourse based on the unforced force of sincere and truthful argumentation, need to be properly defined and measured, but also do the incorporated type II ideals require systematic empirical analysis. Diana Mutz generally states:

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'The whole reason deliberative democracy is normatively desirable is because it is thought to produce tangible benefits for democratic citizens and societies' (Mutz 2008, p. 523), yet adds to this, that 'in normative political theory, the activity described as deliberation is *assumed* to have certain beneficial outcomes, and in empirical research, it is *hypothesized* to have those same desirable outcomes' (ibid., p 524; italics in original). Thus, it also needs to be demonstrated how the quality of democratic regimes leads to macro-level economic outcomes.

Dieter Fuchs (2013) concentrates on the conceptualization and measuring of institutional quality, while using different versions of the DQI[4]. He starts out arguing that in order to get an empirical hold on institutional quality three general preconditions have to be taken into account: 1) outcomes must not ex ante be incorporated into the definition of institutional quality, 2) it needs to be assessed whether and how far political, social and economic systems may be considered as having institutional quality, and 3) it needs to be tested whether and why outcomes may be taken as positively significant effects of institutional quality. These three preconditions, together with an integration of control variables, e.g. for spurious correlations, Fuchs identifies as the most crucial difficulties in the research of institutional quality and functional systems more generally. Clearly, identifying the attributes of the concept of institutional quality is, also according to Fuchs, harder to do then it might seem at first. Neither should irrelevant ones be incorporated (maximalist definition), nor should relevant ones be left out (minimalist definition). Also redundant as

[4] Fuchs generally bases his conceptualization on a model consisting of three-layers as proposed by Gerardo Munck (2009) and Gary Goertz (2006). The highest level is the concept as such (in our case institutional quality), which is defined by the attributes - the level below. On the third level we find the components of the attributes which are supposed to be measurable. The components thus represent the interface to empirical social science. However, Fuchs detects that such a strict structuring has not been carried out with either of the investigated versions of DQI as the attributes and the components coincide.

well as conflated attributes must be avoided. Furthermore, what he calls, the low levels of institutional quality would have to be located in order to be able to set out the spectrum of measurement. In this respect, Fuchs defines authoritative decisions as the low level of institutional quality as it applies to political systems. Examining the different versions of the DQI Fuchs proposes the design by Bächtiger, Pedrini and Ryser (2010), as the one best fitted to measure institutional quality. However, since the measuring of institutional quality remains problematic (e.g. Lord and Tamvaki 2013, Caluwaerts 2012; cited by Bächtiger und Wyss 2013, p 14), commonly accepted indicators of the quality of political regimes in terms of the level of their democratization can be used instead.

(2.3) The Institutional Quality of Functional Systems

A variety of philosophers have dealt with the notion of democracy as it figures in political conceptions. In this respect, Francis Bradley (1927) contends that persons will find full self-realization by carrying out their dutiful role as citizens in society. More recently, Daniel Weinstock has identified three decisive dimensions of citizenship: it means self-government, citizens as opposed to passive subjects actively define and administrate a common good, and citizens exercise their psychological dispositions in daily interactions, deliberating with and attaching them to other citizens (Weinstock in Simon 2002, p. 244). What distinguishes self-governing, active citizens from passive subjects (as in dictatorship) is the need to monitor the authorities' conduct, not only to participate but to engage, to listen as well as to speak, to seriously try and understand and to present one's views. Will Kymlicka calls this 'the virtue of 'public reasonableness'' (Kymlicka 2002, p. 289). Reasonable citizens

will not just express individual preferences. They try to achieve mutual understanding rather than strategic advantages or personal benefits. Through democratic participation, citizens 'view themselves jointly as authors of laws to which they are subject as individual addressees,' Jürgen Habermas (1995, p. 130) asserts. In this sense, contextually construed political self-authorship completes a cognitive core notion of human agency, the one of being rationally accountable, which means to supply a rationale in support of personally held conceptions.

Rawls affirms that any conception of justice must be free-standing while still being related to any moral conception. The extent of Rawls' requirements falls into place when we look at the scope of the principles of justice: 'All social primary goods – liberty and opportunity, income and wealth, and the bases of self-respect – are to be distributed equally....' (Rawls, 1971, p. 303). Amy Gutmann says that what he clearly is concerned with is 'that we value the freedom to choose a good life or at least the freedom of not having one imposed upon us by political authority' (Gutmann in Matravers and Pike, 2003, p. 184). Similarly, William Nelson says 'that liberal principles [can] be [construed as] capable of being justified by reference merely to the idea of the reasonable and without a further claim that this constitutes a moral requirement' (Nelson in Simon, 2002, p. 210). Hence some minimal political principles must exist which all can endorse no matter what their initial situation is. The democratic conception is not a conception of the proper conduct of life and civic virtues are not just practices of citizenship. They are dispositions and character traits constitutive of a citizen's identity based on her nature as reasonable person and civic virtues depend on encouraging the ideal of active citizenship. Moreover, Daniel Weinstock asserts: 'to be a citizen is to identify to at least some degree with the political community to which

one belongs, and to be disposed to behave toward one's fellow citizens in ways which promote the stability and unity of the community' (Weinstock in Simon 2002, p. 244).

Incoherence of self-government, an objection brought forward by William Riker (1982) for example, means that a decision based on democratic voting (e.g. a majority rule) is unstable, that the actual decisions are even constrained by the fact that they are reflecting the particular institutional order under which they are made rather than the well-considered preferences themselves. Yet, according to Cohen, 'it is not clear that instability problems remain so severe as to support the conclusion that self-government is an empty and incoherent ideal' (Cohen 1989, p 28).

Democratic regimes are not free from structural problems (Cudd in Simon 2002, pp. 108ff). Democracy might restrict an individual's freedom to articulate her preferences or her power to secure her wants. Connected to this, Ian Shapiro argues that 'politics is about interests and power' and not about 'understanding' and 'better argument' (Shapiro 1999, p. 36). However, in democratic regimes, so Joshua Cohen asserts, 'free expression is required for *determining* what advances the common good, because what is good is fixed by public deliberation, and not prior to it' (Cohen 1989, ibid., italics in original). In this respect, it may be important to notice once more that collective choices do not remain unalterable yet that they may be reviewed so that reasoned opinion formation sets in on the basis of factual learning and by the exchange of reasoned arguments. However, the liberty of expression can also be rated depending on its role to maximize the power of the people to secure its wants. It should be noted that 'no matter how deliberative the democracy gets, collective decisions will always be made through voting, under some form of majority rule' (Cohen 2009, p. 331). In this respect, David Estlund argues that 'while democratic procedures may indeed be fair, the

epitome of fairness among people who have different preferences over two alternatives is to flip a coin' (Estlund 1997, p. 176). Likewise, Maeve Cooke ascertains that

> 'citizens have no way of knowing whether or not the laws, principles and policies that are eventually agreed on – by voting or by some other mechanism – are epistemically valid. Nonetheless, public deliberation aims to ascertain what is objectively right in the given context (even if there is no way of knowing whether this has been achieved)'
>
> (Cooke 2000, p. 967).

Cooke's approach is based on three characteristics of the human situation that a) there is no timeless objectivity of truth, b) reason is inescapably linked with a context, and c) knowledge must be construed fallibilistically (ibid., p 954-55). Her claim that validity is a matter for unconstrained rational discussion entails that autonomous reasoning becomes a valuable part of human agency. Together with the idea that publicity is important and the Kantian view that everyone deserves equal respect she establishes a valid argument for self-authorship in pursuit of the common good, one which Rawls - and Habermas - can be seen as in agreement with. Some of the findings of game theories teach us that a cooperative decision-making procedure may still stand no chance to be outright implementable although obvious beneficial effects for the common good of the participants would result from it. Regardless – or sometimes even because - of the human capacity for rationality and regardless of a motivation based on reasonableness the goal to accomplish cooperative behaviour may still be doomed to failure. In fact, as everyone knows, it often is. Diego Gambetta comments on a notable aggravation: 'In this respect, one of the most interesting as well as threatening lessons of game theory is that even if people's motives are not unquestioningly egoistic, cooperation may still encounter many obstacles.' (Gambetta 1988, p. 216).

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Analyses of the behavioural components of people which are published in many canonical essays examining the characteristics of game theories and which are epitomized in the Prisoner's Dilemma[5] reveal that merely expecting the other player not to cooperate may already result in defection of the first player. The more the first player is liable to the conviction that her counterpart will behave un-cooperative at any rate, where the actual conviction maybe based on particular or general, personal or situational, well- or ill-founded experiences, the more her initial trust-level tends to wane and her distrust increases. If the worst comes to the worst, the first player may even assume that the second player may suspect *herself* to be uncooperative, and may thus – in a self-fulfilling manner - apply an uncooperative behaviour. Diego Gambetta argues:

> 'Thus the outcome converges on a sub-optimal equilibrium, *even if* both players might have been *conditionally* predisposed to cooperate...The problem, therefore, is essentially one of communication: even if people have perfectly adequate motives for cooperation they still need to know about each other's motives and to trust each other, or at least the effectiveness of their motives. It is necessary not only to trust others before acting cooperatively, but also to believe that one is trusted *by* others. The lack of belief should not be confused with the lack of motive for cooperation.'
> (ibid.; italics in original)

However, although Dennis Thompson states in this respect that 'actual arguments are what matter, not motives' (Thompson 2008, p 504), Bächtiger et al. emphasize that 'the inclination to change their views or cooperate with opponents when appropriate.....requires

[5] 'The famous Prisoner's Dilemma game was invented about 1950 by two Rand Corporation scientists. 'In this game there are two players. Each has two choices, namely "cooperate" or "defect". The game is called the Prisoner's Dilemma because in its original form two prisoners face the choice of informing on each other (defecting) or remaining silent (cooperating). Each must make the choice without knowing what the other will do....defection yields a higher payoff than cooperation...the dilemma is that if both defect, both do worse than if both had cooperated.' (Axelrod 1984, p. 2)

some trust, and actions that demonstrate trust' (Bächtiger et al. 2009, p. 44). This points out to a widespread confusion in the analysis of and the response to uncooperative behaviour, viz. that it is wrong to infer that rational motives are missing just from the fact that no cooperation takes place. It is not the case that a general absence of rationality prevails in public matters. What is lacking, however, is a predominant conviction of the agents that everybody else will also cooperate in order to achieve the common good. According to Maeve Cooke, 'rational and reasonable agents may even have moral (for example, religious) reasons for rejecting the normative idea of rational justification with respect to the conceptions of validity they hold in their non-public lives' (Cooke 2000, p. 964).

Rational choice theories also indicate that the solution for collective dilemmas of action may lie in the realm of institutionalized settings. Philip Converse (1964) proved in studies already conducted between 1956 and 1960 that participants in a survey gave answers almost at random. The problem of like-mindedness manifests in the fact that people tend to choose information from people and sources within their social sphere who exhibit similar views (Fishkin 2006, p 5). Yet, a fair level of procedurally manifested institutional quality, understood as the weighing of competing considerations through discussion, can be assumed to be present in democratic regimes (Fishkin and Luskin 2005, p 285). Project studies done by the Joan Shorenstein Center at Harvard's Kennedy School between November 1999 and January 2001 surveying 1000 Americans once or twice a week, the results of which were published by Thomas E. Patterson (2002), show that only 5 percent of eligible voters engaged in political discussion throughout the year before the 2000 electoral cycle. However, this figure increased to up to 15 percent a year before election, to more than 30 percent as the primaries started and topped at 42 percent during the presidential race. Finally, 86 percent

(111 million) American citizens, although many of them may have been quite uninformed, went to vote in 2000 (ibid., pp. 130-32).

Some consider trust a necessary if not the essential component of any form of cooperation or collective action and claim that democracy cannot do without it. James Fishkin addresses this when he states:

> 'Divided societies face the problem that conscientious participation and equal consideration may not be achievable because opposing communities lack enough mutual respect to actually listen to each other. They may lack enough mutual trust to think conscientious participation is worthwhile. And they may not be open to argument on such issues and are likely to think the opposing community is not open to argument as well.'
> (Fishkin 2009, p. 161)

Observations such as these are already reason enough that trust becomes a central issue which needs to be examined. My aim in the second part of this work will thus not only be to investigate into the origin, the meaning, the significance and the impact of trust which includes touching upon its relatives and adversaries, but also to discuss circumstance and conditions under which they take place or may change, with particular regards to institutional frameworks.

(3) Part Two: Causes and Effects of Trust and Institutional Quality

As the foregoing discussion shows, 'it is clearly not enough that people get what they want; they must intend their collective action, which they expect will bring about their collective intention' (Cudd in Simon 2002, p 107). The objection that many of these critics single out is that the deep diversity that lies beneath a pluralistic community cannot be accommodated. However, although there seems to be enough reason for them to believe that a heterogeneous citizenry unavoidably entails lower levels of trust (or even breeds distrust), Eric Uslaner shows in his works (e.g. 2002, 2006) that from a higher level of diversity *per se* it cannot necessarily be assumed that people trust each other less. Plessner's texts based in natural philosophy, where he reflects on the formal structure of the world and how human beings may be seen as relating to this topic, as well as Schütz's analysis of the 'life-world' ('Lebenswelt'), exploring trust's nature with regards to familiarity and its constitutive conditions for the same, work as the basis to tie down and substantiate this elusive notion.

With respect to trust's unreflective quality, the distinction between the objective riskiness of a situation and the subjectively sensed vulnerability of an agent ex-ante is of illustrative effect. The phenomenological-anthropological approach on trust together with a conceptual differentiation from the congenial notions familiarity, confidentiality and

confidence (as well as other associated phenomena) shall serve as the starting point from which the shaping and the application of trust in society for instance may be considered.

(3.1) General Characteristics of Trust

Whichever aspect or interpretation of trust may appear most plausible up-front, essentially it is the case that it can be ascribed to our particular human situation. I will hence try and analyse it applying a structural theory, taking trust as a fundamental human phenomenological pre-condition which functions as a cohesive element for social order in the world. My approach finds support by Martin Endress who argues that it is indeed of much avail 'eine Verortung des Vertrauensphänomens im Zuge einer Strukturanalyse menschlichen Weltverhältnisses vorzunehmen' (Endress 2002, p. 66).

Trust's most basic aim is – whether it was argued for being applied intentionally or not - to enable people deal with the unfamiliar, e.g. with ambiguities and uncertainties, that is to facilitate individuals to transform unaccustomed situations into more familiar ones and thus to try and attain increased levels of prevention of (possible) harm. This re-orientation happens continuously. It happens against a background of a history of relations and interactions, vis-à-vis persons (including official agents) as well as objects and symbols - or even clusters of them - in various kinds of circumstances. As initially indicated, some theorists suggest that there may be a 'variety of forms of trust' (Baier 1986, p 235). Annette Baier, for example, holds that contracts form one end of its spectrum while infant trust is at the other extreme. Martin Endress refers to such views when he says that some plead that on one side there is

explicit, addressed and reflective trust (fitted to articulate situations of risk or distrust), while on the other side there is implicit, unreflective trust (which serves as a tacit, concomitant resource of interaction) (Endress 2002, p. 68). Endress himself takes the view that the explicit kind of trust would include 'calculations of the potential for sanctions', 'estimation of cost-benefit-relations' and 'explicit control of behaviour and action' and must thus be seen as representing a categorical mistake in calling it trust altogether. He ascertains that '[I]n allen drei Hinsichten widersprechen derartige Rationalitäten der Logik *selbstverständlichen* Vertrauens im Sinne eines fungierenden interaktiven Modus' (ibid., p.69; my italics). However, if, as he writes, the notion may not be 'calculated', 'estimated' in facts and figures and if it eschews 'explicit control' it must be understood as remaining elusive.

The origin, the meaning and the function of trust as well as its cognate and opposite terms demand, thus, further inquiry.

According to Claus Offe, the basic facts adherent to trust require definition:

> 'Trust is the *conviction* that others will do – or not do – certain things. The trusting person knows that the actions of those whom s/he trusts may affect his/her well-being, and hence trust implies *risk*. Trust is a consciously fallible *ex-ante* assumption which abides by the following logic: >I know that it *may* happen, but I do not believe that it *will* happen<, with the >it< being an unwanted event caused by the other – trusted – person. The dynamics of the creation of trust may be represented along a time axis. As soon as the necessary and sufficient conditions are in place, trust is a state of equilibrium which tends to reproduce itself. The perception of predictability, consistency and stability in the behaviour of the relevant other are all part of this equilibrium. … Whoever trusts, should continue to adhere to shared values and convictions, and s/he will do so at best, unless irritating events and perceptions cause the actor to review his/her decision about whom to trust and to what extent and with

> respect to which issues. In the absence of such irritating events a relationship of trust is self-reinforcing.'
> (Offe 1996, p. 34; italics in original)

Offe's extensive account already points out to some central preconditions for trust as well as potential causes of friction with the notion. Trust, thus, implies some sort of ignorance, e.g. the truster's fallible assumption about the future behaviour of the trusted. A relationship based on mutual trust means that both parties believe (to their individual degree) that when either party is having the chance to disappoint or harm the other she will not (be likely to) do so[6]. Trust - and a relationship based on it - is therefore extremely fragile, pertaining to the possible (or probable) likelihood and extent of its breach. Knowledge of and experience with the person will give no entirely conclusive evidence for trust; neither to the truster to foreknow somebody's (extent of) trustful behaviour, nor - from the point of view of the trusted - whether her trustful behaviour may be valued and rewarded[7]. To make matters worse, trust is peculiar in the sense that it is many times not predicated on evidence but on the lack of contrary evidence. Furthermore, different people (in same or different circumstances) trust to different degrees which manifests in the application of various levels of discretion to actions of the trusted. Already these features thwart a strictly rational account in the sense that given the same incentives and potential payoffs all individuals would trust to the same degree. Georg Simmel sums up the resulting difficulty from this: 'Without the general trust that people have in each other, society itself would disintegrate, for very few relationships would endure if trust were not as strong as, or stronger than, rational proof or personal observation.'

[6] This fact of course points out to how trust may be distinguished from hope. If it was only one party who had the choice to enter into a relationship or not, while the second party had not alternative but to depend on it, the attitude of the latter would have to be characterized as hope rather than as trust.

[7] Or as Vergil already noticed: 'Nusquam tuta fides' (Nowhere is trust assured) (Vergil, Aeneid).

(Simmel 1978, p. 178-79). Notwithstanding this, at least a marginal amount of uncertainty always remains which, as we will discover, many times reflects (in inverse proportion) the level of familiarity of situations or the dimension of contiguousness between parties.

Due to the largely implicit and contextual character of trust, generic risk theories may not necessarily be the appropriate model to fully determine and evaluate trusting situations and its effect on people's behaviour. Risk theoretical approaches examine trust largely free of an intertwined and intermeshing history of interactions and run also short of capturing its characteristic of pragmatic habituality. Predicated upon this pre-reflexive character of trust, it could be argued that mediated platforms (explicitly as well as implicitly) offer the opportunity to exchange the relevant factual, personal *and* circumstantial information which is necessary for mutually higher degrees of the belief to materialize. Trust is, thus, asymmetrical (the trusting individual makes herself vulnerable to the trusted), one fact that distinguishes it from sharing. Trust tries to bridge the uncertainties generated by a (timely) lack of (various kinds of) information. Trust (and also distrust) is a state of equilibrium with the tendency to reproduce itself. Unfortunately, already minor irritating events and perceptions may cause the truster to-review her (extent of) trust and the self-energizing character of it will get undermined (much easier and quicker than it may be re-established).

Furthermore, the actual psychological capacity for trust is not innate but commonsensical, reflecting instinctive Bayesianism, the idea that the individual levels of trust and mistrust are learned by induction, that is, by generalizing from my past experiences to my future action. 'Trust has to be learned', Niklas Luhmann confirms, 'just like any other kind of generalization.' (Luhmann 1979, p. 27). Its bias is, thus, shaped by accumulating experiences.

In-group trust is many times based on a moral relation, which means that it is related to people's moral motivations towards one another. However, "social connectedness" (Uslaner in Warren 1999, p. 122) does not necessarily has to have moral values as its resource[8]. Whether trust is based on moral values or else, the initial scepticism is not necessarily directed at the unknown individual in particular, which portends the importance of knowing others' interests and incentives.

Moreover, Offe's 'shared values and convictions' are not referring to a generally recognized particular (political) doctrine over and above the actual parameters which trust and trustworthiness consist of. In his definition he mentions predictability, consistency and stability, parameters which are assessable ex post and may therefore, and very importantly so, lead to a truster's (re-)appraisal of someone's trustworthiness. Trust is a belief which cannot be induced at will. To ask for trust (or a trustworthy behaviour) is thus an impossible injunction[9]. If instrumentality is detected behind my manifestations of trust I will more likely be rejected than not and, if anything, my counterpart will tend to trust me less, as Jon Elster had already discovered (1983). Trust is thus 'given' on a voluntary basis only, which - at the same time - does not mean to say that it must be understood as an act of decision. In Daniel Weinstock's view, trust (*and* distrust) is a) malleable to some extent, b) it cannot be created ex nihilo, and c) it is to some degree evidence-resistant (Weinstock 1999, p 299).[10] Though he

[8] It may need to be specified here that although moralistic trust does not mean that I have to trust all of the people all of the time, it does demand that I trust most people most of the time due to the belief in a common core of moral values.

[9] This circumstance, according to Annette Baier, points to an difference between trust and promises: 'For these cases of trust in people to do their job conscientiously and not to take the opportunity to do us harm once we put things we value into their hands are different from trust in people to keep their promises in part because of the very indefiniteness of what we are counting on them to do or not to do. The subtlety and point of promising is *to declare precisely* what we count on another to do,' (Baier, 1986, p. 251; my italics). This, so I want to add, is of course just as true if a promise is stated in the form 'you can trust me!'.

[10] Weinstock borrows the first two assumptions from Annette Baier's work *Moral Prejudices: Essays on Ethics* (1995).

is not referring to 'impersonal' trust or 'confidence' in institutions, in his view interpersonal trust is uniquely positioned to reliably generate and vindicate unity.

In many accounts, including James Coleman's *Foundation of Social Theory*, trust (including distrust) must be understood as a rational process in the sense that given the same circumstances we would all trust to the same degree, although trust must, according to him too, be seen as based on complex rational expectations (1994, chapter 5). It can be argued, however, that what is inherent in trust is what Russell Hardin calls, an additional, a 'psychological' element, which means that 'we have different capacities for trust'. From this, it does not follow that trust is irrational or not rationally justifiable but that it is epistemological and hence only *pragmatically* rational (Hardin 1992 p. 174)[11]. Hence, Russell Hardin frames the epistemology of trust by arguing that thus 'we cannot speak of the justification of belief X tout court; rather we must speak of the justification of belief X by person A.' (ibid. p. 154). Due to these facts, whether one trusts or not does not result from active or even computational choice and, furthermore, a certain rashness may be constitutive to it too.[12] Yet on either account, that is irrespective of whether trust was a matter of rational 'choosing' or not, two elements will always be central for the dimension of trust in relationships, namely, knowing the reason(s) and incentive(s) of the trusted to fulfil an obligation, plus the information a truster has about the other person's trustworthiness. The opaqueness of trust-levels, and thus the difficulty with framing them, results from this.

[11] To make sure, also Coleman assumes 'the trustor and the trustee…to be purposive, having the aim of satisfying their interests, whatever those might be' (Coleman 1994, p. 96).

12 I thus fully agree with David Good who claims that the assumption for perfect and boundless rationality needs to be abandoned mainly due to two facts. On the one hand, computation is not cost-free, a circumstance which leads to selective consideration of the costs involved in decisions and, on the other hand, not all problems have a close set of solutions, which means that computation of some problems may be open-ended or undergoes a combinatorial explosion at least. The abandoning of such a 'brute force computing' theory, as it is sometimes called, requires a more complex view of (political) agents. (Good in Gambetta 1988, p. 46)

Furthermore, it is a fact that merely *addressing* trust (let alone demanding it) is a counterproductive strategy in a relationship. Exposing or asking for trust may have a negative impact on the level to reciprocate trust because sending signals that trust or trustworthiness is not tacitly assumed will many times be interpreted by the counterparty as indicating a level of uncertainty towards her, characterizing the situation as potentially risky. Moreover, the level of trust a person applies is often the antipole of an *absence* of certain feelings and thoughts, like suspicion or fear for instance. All this leaves trust to be a rather intractable matter, even though it is an unavoidable, common tool of social interaction, since the 'concession of trust...can generate the very behaviour which might logically seem to be its precondition' (Gambetta 1988a, p. 234).

Yet Martin Endress (2001, pp. 198ff) argues for the point of view that trust ought not, at least *not solely*, to be analysed as a given historical development of human cohabitation. Regarding the historical development Endress states that it is very unfortunate that three perspectives dominate the investigations into the notion of trust and its application. Trust, so he expresses in greater detail, gets primarily examined a) as historical alteration of personal trust between individuals into a depersonalized, generalized version of it, an abstract belief in a system or institutions, b) as a supposition following from this first point that trust may no longer rest on a certain social structure of familiarity in modern times, and c) as a hypothesis that social constellations based on trust are more problematic today than ever, yet, that due to this mutual social trust is required in an increased amount. These ways of looking at trust, Endress concludes, led to the case that trust has depersonalized. If we colloquially express that we trust an institution, we apply a short-cut that we have either trust in the people within an organisation, including the quality of work they are willing to perform, and/or that we have

confidence in the verifiable rules and standards of a regime. Institutionalizing a framework based on trust must make allowance for this fact.

Following from this it is also not likely to be the case that familiarity has lost its appeal nor that its function as a significant motivation for deciding whom people decide to trust has lost value. Quite the opposite may many times be true. Under most circumstances, for instance when uncertainty predominates due to a lack of (factual) information in today's political environment - be it generated generally by the condition of increasingly anonymous cohabitants and the collective of agents or more particularly in the transformation of the political system in post-communist countries[13] -, familiarity (pertaining to circumstances, signs and - its good and bad aspects of - 'thick' relationships) is, as has been argued above, still of relevance. Thus, it may certainly be argued that the forms or dimensions of trust, its behavioural patterns or its use-oriented mechanism, have shifted somewhat in order to adapt to the circumstances of modern times.

(3.2) Trust as a Structural Phenomenon

With respect to peeling out what generates, maintains, substitutes or collapses trusting relations, it may be the question 'what is the role of trust in interaction' - not the all-encompassing and thus exceedingly complex question 'what is trust'. If one tries to obtain an understanding of the *use* of trust, the findings may eventually be conducive to establishing a

[13] In this respect it may be noted that, as also Ronald Inglehart has observed, transitions to democracy are accompanied by low levels of trust. Nonetheless, this does not mean that a well-established democratic order does necessarily correlate with high levels of trust, as he has also shown. (e.g. Inglehart in Warren 1999, p. 88-120).

coherent account of it, in an effort to explain its ambit and its elementary function in social and political interaction. First and foremost, it is elementary to understand that trust is implicitly embedded as a fundamental principle of social order in human behaviour. The development of the conditions of social life tend to favour the evolution of reciprocity stemming from trust[14]. With respect to the constitutional phenomenological meaning of trust Martin Endress affirms that

> ‚trust is... - on the basis of the constitutive order of the world for human beings - the adequate answer to the problem of how to deal with the inextricable tension between the familiar and the unfamiliar of this worldly order'
> (Endress in Hartmann und Offe 2001, p. 203; my translation).

Referring to the works of Helmuth Plessner, who analyses the formal structure of human conditions and establishes - based on his reflections upon them - three fundamental anthropological laws, and Alfred Schütz, who specifies the pragmatic necessity of mutual trust in a bodily world, Endress models his specific basic theoretical proposition. His account distinguishes itself from other sociological studies of the structuring of intersubjectivity constitutive of worldly order.

Endress basically recurs to a phenomenological conception of trust, that is, he is seeking to determine the essential properties and structures of experience through systematic

[14] The evolutionary view of Bateson may help to illustrate this development. Prediction would have become mutually beneficial, quick interpretations of actions of (familiar) individuals too. Trusting agents tended to cooperate more often. Animals rely on each other to warn each other of predators, yet they are particularly concerned about their kin. Humans jointly benefited - whether they were related or not - as they were more likely to survive (first) and prosper (second) than others. Although, as will be discussed, cooperation does not bear directly on trust, the analysis of the conditions in which cooperative behaviour is expressed suggests that many animals are exquisitely sensitive to behavior of others. Thoughts as these suggest an explanation for the evolution of trust in ourselves too. When the quality or quantity of cooperation depends on social conditions, increasing sensitivity and self-awareness become advantageous. (Bateson in Gambetta, 1988).

However, although Bateson's thoughts may be very inspiring regarding the *origin* of Trust, it is unfortunately the case that a (purely) biological account would not lead far enough regarding my purpose.

reflection on the phenomenon as it may be traced back to Edmund Husserl. Endress' thoughts develop from Plessner's natural philosophy view of the world which is grounded in an analysis of the formal qualities – e.g. the conditions through which we experience things as time and space -of the physical nature of ourselves and the environment we inhabit and with which we interact. He is allocating particular relevance to the question what the conditions for the human form of life are, because

> 'das Vertrauensphänomen in seiner Kernstruktur auf ein Sozialverhältnis, auf eine interpersonal Konstellation verweist und seine Spezifik daher von einer Reflexion auf das für Menschen konstitutive Weltverhältnis abzuleiten ist.'
> (ibid., p. 178)

Plessner's term 'eccentric positionality' – sometimes also 'eccentricity' - (1975; my translation) paraphrases the fundamental concept of how humans relate to the world. In short, on the one hand to be a human being means to be intricately tied to the here and now, yet, on the other hand every person is also situated in the limbo between herself and her experiences. Thus, the position of human beings in the world may be characterized, so Plessner says, as being 'ortlos ausser aller Bindung in Raum und Zeit' (ibid., p. 291). This situation, which includes the *inner* life of every individual, cannot be abolished. In other words, organisms which are interacting with their environment realize their 'borders', the point where they meet with their environment, and are thus aware of their position in the material world. As opposed to plants, for example, who have no ability for intentionality or preferences regarding the environment, all animals feature a limit of expression, where humans are particular in that they have borders and are *aware* of them too. Human subjectivity can thus be understood as expressive as well as relating to and experiencing the world. In order to substantiate these conditions, Plessner formulates three anthropological fundamental laws: 1) the law of natural

artificiality, 2) the law of mediated immediacy, and 3) the law of utopian location (ibid., p. 309ff.).[15] His first law describes the antinomian situation that being in the position of eccentricity means that a human 'needs to turn himself into what he already is, to begin with', (ibid., p. 310; my translation). His second law deals with the immanence of consciousness. With this term he wants to express that human beings stand in a direct-indirect relationship with everything. As we experience everything as a content of our consciousness we are somehow 'removed' from ourselves and our environment, yet, it is this distance which is the cause for contact. Endress adds to this: ‚als soziale ist die menschliche Existenzform konstitutiv auf Formgebung, auf Rahmungen angewiesen' (Endress in Hartmann und Offe 2001, p. 181). Plessner's third law positions humans as 'standing in the nowhere' (Plessner 1975, p. 346; my translation) with which he enunciates 'so ist es dem Menschen nicht gegeben, zu wissen, >wo< er und die seiner Exzentrizität entsprechende Wirklichkeit steht' (ibid., p. 342).

This law of natural artificiality (also) confirms an important fact with respect to the origin of trust: the relationship between human beings and the world is a structural matter. From this perspective, trust is not situational and socio-cultural, since it does not come about solely because of sequential configuration of interests and circumstances. Somewhat paradoxically maybe, humans may never bring reality and the knowledge about it into accordance in its entirety. Finally, the law of utopian location relates to the point that the human position of 'standing in the nowhere' is never completely abolishable, a condition which is resulting from the second law of the fragmentary reality, and which is a further

[15] In another work (*Macht und menschliche Natur,* 1981) Plessner discovers a further anthropological law, the law of the inscrutability of human nature ('das Gesetz der Unergründlichkeit des Menschen') which opens up the political dimension. Thus. based on an interpretation of biological circumstances, Plessner attains a philosophical foundation of sociology and related sciences.

confirmation of the difficulties that do exist with the comprehension of trust. Plessner's term 'eccentric positionality' thus summarizes the three constitutive facts for the human life-form: its expressivity (its relation of expression), its character of expression, together with the circumstance that human expression is unfinishable. According to this threefold classification, the world presents itself to human beings as Outside-, Inside-, and Social-World. Where in everyday life the Outside-World refers to factual relations (situations or organizational matters), the Inside-World alludes to a self-relation (ways of thinking and of techniques) and the Social-World to relations with other human beings. It is particularly in the last case where the core-structure of trust is embodied as both other relations get procured by social means and ways too. Unfortunately, so far it may remain even less clear how trust may be conceptualized and comprehended given its elusiveness predicated on the human condition of 'eccentric positionality' (Plessner, 1975).

At this point, the crucial fact needs to be introduced that within our worldly framework an irresolvable tension between familiarity and unfamiliarity exists. In order to try and transcend this situation humans possess the essential instrument of trust. Unfortunately, as much as trust is needed, it may neither be understood as an acquirable commodity nor as an obtainable guaranty (just as little as it may be demanded); trust by no means possesses features of a 'contractual' insurance. To trust implies that it is 'bestowed', as already Georg Simmel argued (Simmel 1992, p. 425 and elsewhere; my translation). Apart from the phenomenon's non-obtainability it is furthermore the case that the less something is certain and the more the originary chance-characteristic inherent in social relationships is predominant, the more we are in need of trust. The inevitable situation we thus face is that we are - by no social process whatsoever - able to eliminate the dialectic tension familiarity-

unfamiliarity. Martin Endress confirms: 'Die Differenz des Vertrauten und des Unvertrauten bleibt prinzipiell unaufhebbar, also weder zur Seite der Vertrautheit hin abschliessend auflösbar noch zur Seite der Unvertrautheit hin einseitig zuspitzbar' (Endress, in Hartmann und Offe 2001, p. 180). Familiarity and unfamiliarity remain unavoidably intertwined without one being antecedent or superior to the other. It may even be argued that they are the two constituting, coequal and necessarily alternating components of one and the same phenomenological field of worldly tension, forming a dialectic structure rather than being two distinct devices. The fact that at any time or place a shift from something unfamiliar into something familiar (as well as the reverse) may *simply occur*, asking individuals in societies for a new evaluation of circumstances, seems to favour such a view. There is no doubt, that in today's world, multiple overlaps of meanings, often due to increased ambivalence, faster dynamics or inapprehensible transformation, may be particularly demanding[16]. Having said that, however, and the more we are placing emphasis on the intersubjectivity of social processes it becomes apparent why trust must be understood as the adequate conceptual answer: the irrevocable characteristics of life, like ambiguity or tentativeness, which are mirrored in the uncertainty-factor inherent in all social interactions imposes upon humans to adapt trust as an instrument to confront the world in a structural manner. This is all the more the case the more trust is evoked by multilateral and multidimensional interactions and thus not performed as an antecedent, unidirectional activity free of context. David Lewis and Andrew Weigert illustrate: 'From a sociological perspective, trust must be conceived as a

[16] One interesting sociological matter that some may be interested to understand at this point is whether or how this state of affairs has altered throughout history. However, although it may be true that the demands on trust, on people's application of it, may have become more complex, trust itself has not altered its structural function.

property of *collective* units (ongoing dyads, groups, and collectivities), not of isolated individuals' (Lewis and Weigert 1985a, p. 968; italics in original).

An individual's idiosyncratic interpretation of the world is a capacity which is established either through a history of particular social relationships and/or as accumulation of indirectly acquired knowledge and experiences. This also repudiates the idea that to trust is an innate basic disposition anteceding all historical interactions. Behavioural learning theories of human development substantiate that 'primordial trust' is a capacity individually built particularly within the first six months of life resulting from a baby's primary experiences in interactions, according to Erik Erikson as a prominent representative of this view. He writes: 'Mothers create a sense of trust in their children by that kind of administration which in its quality combines sensitive care of the baby's individual needs and a firm sense of personal trustworthiness.' (Erikson 1963, p. 249).[17] An individual's propensity to trust then involves a copious amount of social, emotional bonding, e.g., by parents, whereas an omission of personal attachment during childhood has to be compensated by a much greater amount of it in adults. Furthermore and as we have learnt from Plessner's account, not even later on in life do human beings have an *a priori* familiar world at their disposal and every human constantly 'erobert [sich] seine Umwelt aus der Welt…in beständigen Umbrüchen…*zwischen* der heimischen Zone vertrauter Verweisungen und Bedeutungsbezüge…und der unheimlichen Wirklichkeit der bodenlosen Welt' (Plessner 1981, p. 197f.). In consequence, the more any

[17] The analogous structure holds true for the basic orientation of distrust the more a child's social world is destabilized due to absence of emotional bonds, or even worse, abuse. For example, the incidence of post-traumatic stress disorder or even multiple personality disorder is extremely high after childhood abuse (Study: PTSD in female victims of childhood incest 62 %, versus no PTSD in a control group of women with 'ordinary negative life events', (Albach and Everaert 1992), and an effective therapy is based on trying to establish normal trust levels with such patients (Harvard Mental Health Letter, 1991). Another ethological constraint hindering the development of trust during the first years of a child's life may be neglect rather than abuse. Severe neglect may result in narcissism, the inability to take others into account and thus ending up neither to trust nor to distrust. (Bretherton 1992).

individual is deprived of evidence that trust is justified, as for example the underclass ghetto kid is 'taught' all too well under the disadvantageous conditions of neglect and distrust prominent in broken-up families and wrecked communities, the more the particular learning from experience may instill in her the propensity not to trust others. In this connection, Russel Hardin says: 'A central issue for optimistic trust is how well past experience corresponds to future opportunities'. It is at the same time the case, as he also writes, that there is some room for seeing things as not immutable: 'The failure of early investment by my parents need not correlate with the untrustworthiness of my associates in later life. But it might.' (Hardin 1992, p. 162).

Therefore, all individuals are – whether they are aware of it or not - subject to a *constant* process of social learning: '…diese jeweiligen Transformationen müssen Menschen sich stets kulturell erarbeiten; die entsprechenden soziokulturellen Praktiken, das Weltbilden wie ihr Fraglichmachen, sind zu erlernen, und auf diesem Wege können sich Menschen als "Meister" der Handhabung der Differenz vertraut-unvertraut erweisen' (Plessner 1981, p. 198). In practice, this fact is being accounted for by human beings adopting methods, standardisation or routinisation for instance, and exerting the corresponding instruments like stereotyping in order to explain social events and thus to help making sense of the world as well as to activate automatic social behaviour for interaction. Martin Endress explains: 'zunächst als "neu" Typisiertes wird aufgrund der verfügbaren Deutungsmuster und Problemlösungsschemata zu einem nach dem gegenwärtigen praktischen Wissensstand Verstandenen umdefiniert' (Endress in Hartmann und Offe 2001, p. 180). It must be

understood that trust judgements may be seen as based not only on cognitive[18] but as well on affective information processes, a view that is widely accepted and which Barbara Misztal (1996) argues for and which is supported by works of many other scholars (e.g. Lewis and Weigert 1985a, McAllister 1995). This circumstance contributes to the opacity and evasiveness of trust. If the procedural character of trusting is one of, as Endress calls, 'pragmatic reflexivity'[19] it may easily be seen as adding to the reasons why trust may neither be demanded nor even ought to be addressed: as soon as thematization is triggered, the (mutually) accepted implicit status of the undoubted gets impaired. Thus, once brought into the realm of active consciousness the need to explicitly examine and evaluate one's (formerly hidden) idiosyncratic criteria for familiarity may diminish the quality of the equally pragmatic - and partly from the level of familiarity depending - disposition to trust.

Plessner's fundamental anthropological-phenomenological theory, together with Endress' appraisal for it, allows structurally approaching human being's position in and in relation to the world. Thus, the function of trust (amongst other purposeful phenomena) can be said to have originated from the worldly circumstances one finds oneself in, a situation which Plessner terms 'eccentric positionality'. Therefore, trust must be regarded as a *structural* phenomenon which evolves as an indispensable function to help transform unfamiliar into more familiar situations, a pragmatic, pre-reflective present-time guidance for

[18] Cognition, as Ulric Neisser elucidates, is a mental function, a process or a state of intelligent entities by which sensory input is transformed, reduced, elaborated, stored, recoverd and used (Neisser 1967). This faculty may be consciously or unconsciously performed.

[19] Endress specifies this notion in the following way: '>Pragmatische Reflexivität< meint eine den Vollzug des Handelns begleitende Form der Bewusstheit, eine Präsenzbewusstsein, dessen impliziter Charakter zwar handlungswirksam, aber keineswegs als explizites Reflexionsprodukt seinerseits Reflexionsgegenstand ist.' (Endress 2002, p. 70). Beyond that he refers to Schütz's differentiation of knowledge in hand ('Wissen in der Hand') and knowledge at hand ('Wissen zur Hand') (Schütz 1971a, p. 189ff).

orientation at the junction between the known or the past and the unknown or the future[20]. Consequently, trusting behaviours ought not to be understood purely as a matter of situative assessment or forward-looking peculiarities although many idiosyncratic mouldings of the process may be at work in each particular case. In addition, the notion of trust can be rendered more concrete in constitutive terms, which can be achieved by referring to the life-world ('Lebenswelt')[21] theory of Alfred Schütz, an approach which finds much support by Martin Endress.

If, as Alfred Schütz argues, the familiar, being part of the commonplace and natural, is to be regarded as a self-evident or given state emanating from pragmatic reflexivity, that is, familiarity is neither (purely) cognitively produced nor is it (at all) scientifically seized which includes the fact that the more something is familiar the less it seems to be in need for further unravelling, then the character of the familiarity of the life-world and its situations as well as the constitutive conditions motivating familiarity need to be examined. Schütz starts his inquiries by deriving his thoughts from Husserl's concept of the life-world, the state of affairs in which the world is experienced, in which it is lived. However, he aims to differentiate Husserl's notion from his own more refined concept of the everyday world ('Alltagswelt') (Schütz 1971b, p. 153 and elsewhere). This world of everyday life he sees to be the core of the life-world and thus the pragmatically primary relevant field. He terms this field the 'world of working' ('Wirkwelt') (Schütz 1971c, p. 260 and elsewhere). Schütz demarcates the world of working from the phantasy-world, the dream-world and the world of science. He thus

[20] In everyday speech, trust sometimes gets classified into blind trust or satiated trust. Where in the second instance it may be seen as (implicitly or explicitly) based on past experiences, in the first case it is certainly not. This colloquial differentiation can, according to Martin Endress, be seen as confirmation of trust's relation to and anchoring in time. (Endress in Hartmann und Offe 2001, p. 175)

[21] In a general way, the term 'Lebenswelt' may be understood as referring to ordinary, common-sense experience and the conceptual framework around which it is organized.

divides the life-world in several self-contained 'provinces of sense' ('Sinnprovinzen') differing by their viewpoints of reality (ibid., p. 265ff.). The world of working is where every single individual participates and to which she thus contributes. This province may be distinguished from the others, the extraordinary worlds ('Ausseralltäglichkeit'), so Schütz says, due to the different modes of relating to the world, as only the everyday world has a factual, natural attitude. Hence and most notably, for the various provinces different forms of cognition are constitutive and it is only the world of working which we pragmatically accept unquestioned. He states that only in this particular everyday world and thus as 'humans among fellow human beings in natural attitude is the existence of the life-world and the typification of their contents accepted, unquestioned as a given until revoked' (Schütz 1971b, p. 180; my translation).

Where Plessner talks about the fundamental structural necessity for orientation in the irrevocable field of tension between the unfamiliar and the familiar, which is induced by the given anthropological condition, similarly yet more pragmatically Schütz highlights the processual character of leading one's life between the acquainted (yesterday) and the insecure (tomorrow) and thus the (interactive) creating of history in the present. Martin Endress illustrates the relation between the theories of Plessner and Schütz with the words: 'Die der Expressivität entspringende Dynamik des menschlichen Lebens ist es, die sich in jeweils partikularen kulturellen Kontexten realisiert und so Gestalt gewinnt und die die Spannung des Vertrauten und Unvertrauten in den vertrauten Horizont des Alltags hineinträgt' (Endress in Hartmann und Offe 2001, p. 189). Both theorists thus determine the constitutive dialectic between the sphere of the familiar and the sphere of the unfamiliar that exists in the world (of working) as the prime reason for the workings and arrangements in the social-world as well as

the inside- and the outside-world. The upshot of this is that if the developing of interpersonal and interrelating patterns and processes of action are fundamental to the world of working and if the essence of familiarity can be identified by the number of each individual's tacit criteria which (continuously) have to be met in order to feel perfectly acquainted with a situation, different and ever-changing constellations and attitudes of trust may be imagined as resulting from it. Due to this it is evident that the development, the preservation and the changes of these constellations and attitudes are necessarily aggravated by the prevailing specific yet variable socio-cultural as well as economic circumstances. Martin Endress confirms this:

> 'Es ist diese Partikularität der jeweiligen Formen einer Transformation des Unvertrauten ins Vertraute, die der Alltagswelt ihren strukturell konfliktuösen Charakter verleiht. Denn diese konstitutiv partikularen Deutungsmuster sind nicht nur wechselseitig geeignet sich in Frage zu stellen, also wechselseitige Unsicherheiten zu produzieren, sondern sie müssen zugleich aufgrund ihrer Funktion, umfassende Weltorientierungen zu formieren, notwendig universelle - also partikular-umfassende, nicht universale – Geltung für die jeweiligen Interagierenden beanspruchen.'
> (ibid., p. 194)

In this respect, it becomes palpable that the establishing and maintaining of mutual relationships based on trust are a permanent struggle, a constant implicit quest for interpersonal equilibria which any pragmatic problematization, any covert insinuation may already endanger.[22] The characteristics for orientation in the everyday world, the human world of working, are variables which are hardly compatible all of the time. Moreover, due to the fact that they are in a constant state of flux the search for and the application of correspondent relevant structures, the systematic of using the appropriate types and patterns in

[22] Bob Dylan makes this plain when he says: 'I used to care but things have changed' (2000)

order to transform unfamiliar situations and events into familiar ones, is prone to errors. Particularly between unknowns the desired coefficient for concordance is unwantedly fragile and thus seldom high enough. It may fall in place 'naturally' only in marginal cases (e.g. in very intimate situations) whereas at least a certain amount of friction is inevitable most of the time. Nonetheless and reverting to Plessner's theory, it is important to keep in mind that trust as such has not altered its (imposed) structural function (nor its meaning as a basic principle of social order for that matter). Martin Endress confirms that 'die historisch offenkundig zu konstatierenden Veränderungen nicht das zugrunde liegende Strukturphänomen selbst betreffen, sondern seine situativ-variablen Rahmenbedingungen' (ibid., p. 198).

(3.3) The Macro- and Micro-Level Effects of Trust

Against the phenomenological-anthropological account it is often objected that trust is purely a means to deal with risk. Annette Baier, for example, states:

> 'To trust is to make oneself or let oneself be more vulnerable than one might have been to harm from others – to give them an opportunity to harm one, in the confidence that they will not take it, because they have no good reason to. Why would one take such a risk? For risk it always is, given the partial opaqueness to us of the reasoning and motivation of those we trust and with whom we cooperate'
> (Baier 1985, p. 60-1)

In trusting situations, on one side, it rests on the truster's belief that the trusted will act in the interest of the truster, or at least that the latter will refrain from acting disadvantageously against the interest of the former. On the other side, people with an

intention to interact or collaborate[23] do not merely want to be but need to be regarded as trustworthy, at least to a certain level, where the conveyance[24] of credibility or reliability is implicit in the decision of either party to engage in any sort of interpersonal activities. Trusting behaviour is generally initiated by pure and implicit assumptions from *either* side about actions, attitudes and habits of the counterpart(s). In other words, the underlying interactions between two or more persons based on trust are constituted by embedded reciprocal duties and responsibilities[25]. In this connection, Jack Barbalet claims: 'Trust, then, is a means of overcoming the absence of evidence, without benefit of the standard of rational proof' (Barbalet 2006, p. 4).

Furthermore, Baier says that situations based on trust include a certain amount of (mutual) risk, a condition to which also Barbalet agrees: 'Trust is precarious in so far as the act of trusting renders the actor vulnerable to deception or worse.' (ibid.). Certainly, the danger that either party may behave 'incompliant' is an inherent factor, which also game theorists have dealt with at length. This is the case whether the peril seems negligible at the time of trusting and regardless whether the trusting comes about due to accurate first-person

[23] Of course, cooperation must not always be based on trust although the latter facilitates the former, a situation that the discussion of Diego Gambetta's Mafia example will reveal later on. Gambetta thus states: 'Clearly, the higher the level of trust the higher the likelihood of cooperation, but cooperative behaviour does not depend on trust alone, and the optimal threshold of trust will vary according to the occasion.' (Gambetta 1988, p. 223). Having said that, of course only situations where cooperation is based on (at least one of) the parties depending on another are part of our concern: if there was immediate control of one another, that is, if defection could be isochronally and mutually detected, no time-lag would exists which has to be bridged by trust. Thus, it can be said that where the engagement in a cooperative venture is a symmetrical relation, dependence is a non-symmetrical one. It may further be added that cooperation by chance need not be based on trust, nor is a lack of cooperation necessarily a sign of mistrust.

[24] In this respect Niklas Luhmann mentions symbols: 'They presuppose the difference between familiar and unfamiliar and they operate in such a way as to enable the re-entry of this difference into the familiar. In other words, symbols represent the distinction between familiar and unfamiliar within the familiar world....In fact, symbols have developed as the successors of myth, replacing it first by symbolic interpretation and later by pure symbolism.' (Luhmann, in Gambetta 1988, p. 96).

[25] Georg Simmel unveils: 'In dem Vertrauen des Menschen auf den anderen liegt ein ebenso hoher moralischer Wert, wie darin, dass diesem Vertrauen entsprochen wird' (Simmel 1992, p. 425).

experience or whether it may result from inductive generalization of (limited) third-person information at hand. Yet again, the trusting attitude comes about – to use a wording coined by Thomas Scheff - 'outside of awareness' (Scheff 1988, p 396). Olli Lagerspetz and Lars Hertzberg illustrate Scheff's expression, when they say that 'trusting does not have genuine duration. In other words, trust is not for the most part manifested as a particular state that occupies one's mind.' (Lagerspetz and Hertzberg in Mäkelä, Ruokonen and Townley 2013, p. 34).[26] It is, thus, risky to trust (as well as to be trustworthy), as one is not only in a position which one may benefit from but also in a position in which one may potentially be harmed. However, Russell Hardin contradicts this reasoning when he writes:

> '...I do not calculate the risk and then additionally decide to trust you; my estimation of the risk is my degree of trust in you. Again, I do not typically *choose to trust* and therefore act; rather, I do trust and therefore *choose to act*.'
> (Hardin, 1992, p. 164)

Some may still argue, as Niklas Luhmann does, that trust is a pragmatic way of dealing with the risks that are inherent in the *complexity* of life (Luhmann 1979, p. 24). Somewhat similarly to Plessner und Schütz he makes the point that unfamiliarity, the form in which lack of knowledge, control or foresight manifests, is bridged by trust and that hence the hard to surmount condition of complexity is coped with. Yet contrary to them, his own view is that '[R]isks,... emerge only as a component of decision and action…It is a purely *internal* calculation of *external* conditions which create risk.' (ibid., p. 100). Yet as just discussed, it is not the case, as Luhmann specifies elsewhere, that 'trust is a solution for specific problems of

[26] Martin Endress emblematizes this in a wonderful way: 'So weiss man stets, das man Leib ist, aber hat diesen keineswegs ständig als Körper präsent.' (Endress 2008, p. 10)

risk'[27] (Luhmann in Gambetta, 1988, p 95). Quite the opposite, as the preceding phenomenological investigations have disclosed. Trust serves as an *implicit* attitude, that is, it operates without propositional function. Hence, Oliver Williamson, by considering trust in economic affairs, reached the conviction that calculated trust is 'a contradiction in terms' (Williamson 1993, p. 463). As Luhmann himself states, although it seems intelligible that 'risk represents a re-entry of the difference between controllable and uncontrollable into the controllable', likewise, however, it appears to be the case that *trust* 'represents the re-entry of the difference between familiar and unfamiliar into the familiar' (a function which Luhmann ascribes to symbols[28]) (Luhmann in Gambetta 1988, p 100). Although some may take from this that trust as well as risk management seem upfront both compatible notions for situations where one has to deal with uncertainty or ambiguity, what can be held against this view is that trust is necessarily an anticipatory belief formed in the *absence* of coherently confirming evidence concerning the trustees reliability to live up to expectations or promises. Judith Shklar puts this cogently when she writes that trust is a way of dealing with the 'limits of our foresight' (1984, p. 151). Habitually, one is not in a position to *conclusively infer* whether it is wise to trust or not from existing factual knowledge, since one induces a general rule from a number of examples for a given (similar) context where any background (information) changes may alter the situation considerably. Luhman agrees here, it seems: 'It can only be known whether the vulnerability of trust will lead to a negative outcome, such as the breaking of a trust, after trust has been given.' (Luhmann 1979, p. 25) Risk, on the other hand, takes on

[27] Luhmann himself brings up the fact that 'risk' is a relatively new word which spread only after ecclesiastic acknowledgement and increasing awareness that salvation of the soul was no longer a matter of church practice but of individual life-style and effort (Luhmann in Gambetta 1988, p.98).

[28] Luhmann uses the concept symbol in, as he writes, 'its original meaning : Sýmbolon as distinct from diábolon…They are forms of self-reference using the self-reference of form' (Luhmann in Gambetta 1988, p. 96).

the form of a *historically and factually conditioned* type of uncertainty, a probabilistic state which results from the (limited) knowledge of decisive facts. Risk may be determined ex ante with the calculated result serving as basic information in order to help - purely rationally - decide whether an engagement makes sense or not. As there is a certain amount of reliability in predictions backed up by statistical reasons or the like, risk can be identified and measured and, thus, becomes largely manageable by spreading the exposure, for instance. However, this can be considered as a matter of (assessing of and acting on) predictability, while not being a matter of trust. Similarly, Jack Barbalet says:

> 'The risk of an unknowable future is never faced with complete ignorance, however. It is known that a sense of certainty can be achieved through organization, contract, sanctions, incentives, and so on. But these cannot be bases of trust.'
> (Barbalet, 2006, p. 10).

To sum up, applying trust in situations is first and foremost to try and deal with the *absence* of necessary confirming evidence regarding the truster's expectations of another person's future behaviour[29]. Applying trust does not just mean to have a lack of pertinent knowledge that may be overcome by calculating all factors which determine the risk involved. Applying trust means to bridge time. In the same paper Barbalet stresses the difference between the two notions even more articulately: 'The more the outcome of exchanges becomes predictable the less trust is required to achieve that outcome. Calculation does not facilitate or explain trust, it displaces it.' (ibid., p.11)[30]. Also, Martin Endress' opinion corresponds to this view. He

[29] By the way and as again Jack Barbalet points out: 'These problems of the one-sidedness of trust are not dissolved in cases of mutual or reciprocal trust…which are simply mirrored in it in so far as now the trust giver is simultaneously a trust-taker, and vice versa.' (Barbalet 2006, p. 9)

[30] Barbalet's conclusion receives substantial support from Piotr Cofta (amongst others) who deals with the notion of distrust, particularly with regards to its role and its relation to trust, the discussion of which is taken up later on in this part.

writes: ‘Vertrauen ist ein solches nur, solange es nicht auf definitive kalkulierbaren Sicherheiten basiert.‘ (Endress in Hartmann und Offe 2001, p. 175). Yet, one could be in a situation containing minimal or no apparent risk yet still not resort to a trusting behaviour and thus not cooperate, just as much as one may, in an extremely risky situation, trust his counterpart in order to interact with her. Such individual performance is further aggravated by the fact that the interpretation of risk (just like the level of trust) is not only a highly subjective matter but may well be redefined during lifetime (e.g. Kogan and Wallach 1967). Nonetheless, it remains the case that ‘[T]he recent tendency for sociologists and economists alike to use the terms >trust< and >risk< interchangeably is...ill-advised’ (Williamson 1993, p. 485), as Oliver Williamson reiterates.

Some theorists posit that trust is a means of negotiating implicit *societal* risk, developing their thoughts from the idea of trust as social capital. James Coleman as the most influential proponent of a theory of social capital states:

> ‘Social capital is defined by its function. It is not a single entity but a variety of different entities having two characteristics in common: They all consist of some aspect of social structures, and they facilitate certain actions of individuals who are within the structure. Like other forms of capital, social capital is productive, making possible the achievement of certain ends that would not be attainable in its absence. Like physical capital and human capital, social capital is not completely fungible, but is fungible with respect to specific activities. A given form of social capital that is valuable in facilitating certain actions may be useless or even harmful for others. Unlike other forms of capital, social capital inheres in the structure of relations between persons and among persons. It is lodged neither in individuals nor in physical implements of production.’
> (Coleman 1994, p. 302).

Going from this Jack Barbalet writes: ‘Social capital can be understood as an ‘investment’ persons make in social relationships that enhance or enrich their social resources.’ (Barbalet 2006, p. 15). With regards to this, Coleman and others hold that two points are crucial: Firstly, the aspect demonstrates that a society is constituted of more than just an amassment of individuals who merely coexist in ‘splendid isolation’, and secondly, the idea is introduced that social capital procures a platform for social processes which individuals regularly draw upon when they act. Because trust is a key factor of social cohesion, many argue that it must thus be comprehended as a kind of social capital. At one point, Robert Putnam regards trust even as central source of social capital. Taking up Coleman’s idea, he asserts that social capital has ‘features of social organization, such as trust, norms, and networks, that can improve the efficiency of society by facilitating coordinated action’ (Putnam 1993, p 167). Thoughts like these may have prompted Anthony Giddens to conclude that trust is a mechanism to deal with societal risks (Giddens 1990, 1994). However, social capital may need to be understood as ‘a second-order category’ (Barbalet, 2006, p. 15). Social capital refers to participation in activities, attendance in associations, memberships in organizations and similar instances and it concerns the mode(s) of operation. Hence, it is by no means a private good: it can, unlike marketable forms of capital, neither be possessed nor transferred, features which it has in common with trust. Social capital, like trust, is an emergent resource not a stocked entity, a characteristic which is supported by the fact that it may increase with use. In Jack Barbalet’s view: ‘Trust is indeed a social *resource* performatively generated by a social actor in cooperating with another. But the ready assumption that trust can be assimilated into social capital suffers a disabling contradiction.’ (Barbalet, 2006, p. 16; my italics). His main reason for this view is that trust is non-transitive. This means that if A trusts

B, and B trusts C, then it must not *necessarily* follow that A trusts C. On the other hand, social capital theory according to James Coleman assumes that trust *is* transitive (Coleman 1994, p. 318-20). Although the feature of transitivity may show at times - by mechanism of generalization or bolstered up by intermediaries - the earlier disclosed fact that trust is a contextual phenomenon induced by existent specific conditions supports Barbalet's view. Again he writes:

> 'Trust cannot be transitive because its effective content is not derived from the formal characterization of its intrinsic properties, but from what the emoting subject brings to it. Like all emotions, the confidence on which trust rests is contextual and conditional...Because trust is non-transitive its support for social capital theory is limited.'
> (Barbalet 2006, p. 17)

Furthermore, and against the view that trust is an integral element of social capital, Michael Woolcock contends that 'trust and other norms of reciprocity, fairness, and cooperation are...undeniably important for facilitating and reinforcing efficient institutional performance, but they do not exist independently of social relationships' and are thus 'not to be confused with social capital itself.' (Woolcock 1998, p. 185). According to game theorists (e.g. John Field 2003), trust, so the argument goes, must be understood as a consequence rather than a component of social capital: it is effectively the case that cooperation may evolve without trust as long as other conditions obtain. Some of these arguments may have forced Robert Putnam to amend his view later in life, referring to social capital as 'connections among individuals – social networks and the norms of reciprocity and trustworthiness that arise from them' (Putnam 2000, p. 19). As such he considered only two components – social networks and norms – rather than three – trust - integral elements of social capital.

Few even refer to trust – even somewhat more critically – as a kind of human capital (e.g. Partha Dasgupta 1988). Against such a view Russell Hardin contributes the point that it is 'odd' to regard trust as a form of *human* capital whereby 'direct investment in its creation' is assumed[31]. He states: 'Much of the time, however, the capacity for trust must seem more nearly like an accidental by-product of activities...a by-product of fortunate experience.' (Hardin 1992, p. 173). From this perspective, only 'a woefully misdirected Kantian or utilitarian' (ibid.) would undertake the installing of trusting behaviour within children as a deliberate investment. Parents do things like these out of love and affection for their children, to (fortuitously) help them prosper (without considering opportunity costs). The child, on the other hand, has little control over this development if any, it merely experiences a trusting environment and is, incidentally, the beneficiary of a supportive, optimistic climate. Unfortunately, in the world at large a similar reason may add to the result that social capital remains an underdeveloped public good, a fact that Coleman confirms: 'the actor or actors who generate social capital ordinarily capture only a small part of its benefits, a fact that leads to underinvestment in social capital.' (Coleman 1988, p. 119).

Notwithstanding, it could be more plausible to speak of trustworthiness as a form of social capital. People may invest in their reputation in order to become trustworthy to others. In this sense trustworthiness may allow individuals to act in ways which would otherwise be unacceptable and enable them to achieve things. Investing in a trustworthy reputation may

[31] Whereas human capital, as James Coleman defines it, 'is approximately measured by parents' education and provides the potential for cognitive environment for the child that aids learning', he says that 'social capital of the family is the relations between children and parents (and, when families include other members, relationships with them as well)…some combination of measures such as two parents in the home, number of siblings, and parent's expectations for child's education'. From this follows, so Coleman concludes, that 'if the human capital possessed by parents is not complemented by social capital embodied in family relations, it is irrelevant to the child's educational growth that the parent has a great deal, or a small amount, of human capital.' (Coleman 1988, p. 109-10)

thus pay off by creating favourable conditions (primarily yet not exclusively) to its holder. Coleman writes:

> 'An actor choosing to keep trust or not (or choosing whether to devote resources to an attempt to keep trust) is doing so on the basis of costs and benefits he himself will experience. That his trustworthiness will facilitate others' actions or that his lack of trustworthiness will inhibit others' actions does not enter into his decision.'
> (Coleman 1988, p. 117)[32]

After these reflections, trust may, if anything, fall under a rather particular, intangible form of capital. Besides, the result of these thoughts coincides very well with the view that trust is a 'pre-reflective' phenomenon of which all individuals possess quite idiosyncratic capacities. Furthermore, and adding to the 'non-capital' view of trust, as already James Coleman asserted (Coleman 1988, p. 98; 1994, p. 302), Russell Hardin claims:

> '...in general, social capital has no normative valence, as suggested by the discussion of blocking social capital. It is generally about means for doing things, and the things can be hideously bad as well as good, although the literature on social capital focuses almost exclusively on the good things it can enable...'
> (Hardin 2006, p. 97).

Regarding the remaining question why anybody should take the risk involved in trusting at all, Claus Offe provides the most plausible answer: 'excessive risk avoidance and distrust cuts actors off from desired options.' (Offe in Warren 1999, p. 49). Evidently, choosing not to cooperate out of a lack of trust deprives agents of potential benefits. Yet, it is

[32] Similarly, after having studied models of socialization which are trying to capture the interaction between social capital and the productive process, Patrick Francois concludes in his book *Social Capital and Economic Development* (2002) that trustworthiness is the (economically) relevant component of a society's culture and hence comprises its social capital.

certainly as true that 'blind' trust may leave individuals excessively vulnerable. Indeed, many times it is hard enough to carry out this demarcation.

Trust can be conceived of as a pre-reflective phenomenon which may often be the result of an absence of other (more conscious) beliefs and that merely alluding to it in interpersonal relations may amount to a violation of 'routine grounds of everyday activities' (Garfinkel 1963). This view is backed up by Russell Hardin who adds that 'contractual relations may require such calculation [of risk] to be overt and present and may therefore introduce an atmosphere unfavourable to trust' (Hardin 1992, p. 171) The relevance of trust with regards to its tacit mutual consent is also emphasized from a different, more practical point of view by Margaret Levi. She observes: 'A transaction that depends on the institutionalization of assurances and commitments reflects less trust than one that requires only a handshake' (Levi in Braithwaite and Levi 1998, p. 79)[33]. Thus, taking trust out of its preconscious framing and treating it as a calculable variable may convey expedient, albeit limited, results. Martin Endress (in Hartmann und Offe 2001, p. 163 and ff.) argues against the tendency to over-theorize trust, to conceptualize it exclusively as a mathematical variable in a rational and calculating decision-making process, to insert it in risk-theoretical models at the micro-level in which personal risk gets evaluated free of any (continuously changing) context and disregarding degrees of reliability of information, detached from dynamic historical interactions or institutionalized embeddedness. Trust, also according to him, purely 'resonates'[34] in interpersonal situations, and (the applied dimension of) it becomes evident

[33] As much as trusting behaviour is based upon a non-reflective process some theorists nevertheless argue that the institutionalization, at times little more than by symbolic framing, of assurances and commitments of all agents, may act as supportive.

[34] Elsewhere Endress specifies by referring to Ute Frevert (2000) and David Lewis/Andrew Weigert (1985b) that trust may sociologically not be reduced to a mere feeling: 'In soziologischer Perspektive ist

only after having been uncovered as unjustified in situations of disappointment and in a moment of (self-)reflection.

By observing it from many different angles several theorists have argued that the granting of trust can not at all be seen as based on intended calculation. 'But', so Barbalet clarifies, 'this does not mean reliance on trust is irrational' (Barbalet 2006, p. 17). Rationality derives from the *necessity* to trust in all kinds of interactions. What Barbalet particularly alludes to is the distinction between formal and substantive rationality as initially proposed by Max Weber (Weber 1978, p. 85-86). Where the latter notion pertains to the outcome in terms of an agent's appropriate orientation in a context, the former is concerned with the qualitative basis of an agent's decision and thus closer to efficiency. By distinguishing the two associated terms it must also be noted that formal rationality does not inevitably lead to substantive rationality. The reason, as stated by Herbert Simon and quoted by Oliver Williamson, is that 'boundedly rational agents experience limits in formulating and solving complex problems and in processing (receiving, storing, retrieving, transmitting) information'. Basically, this means that although a person is 'intendedly rational' her 'data-processing' is of 'limited competence' (Williamson 1981, p. 553). This goes even further than what Jack Barbalet has in mind when he says that, 'the limitations trust overcomes are not of the agents but the uncertain circumstances they face.' (Barbalet 2006, p 19).

Martin Endress contributes one more thought to the discussion of risk and trust: ‚Vertrauen ist nicht im mathematischen Sinne eindeutig in der Form, dass es beispielsweise

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Vertrauen als (implizite oder explizite) reziproke Orientierung von (mindestens zwei) Akteuren zu fassen, die auf einem (impliziten oder expliziten) gemeinsam geteilten Situationsverständnis beruht und in dadurch strukturierten Verhaltensweisen und Handlungen zum Ausdruck kommt, sich darin symbolisiert (vgl. Lewis/Weigert, 1985b, p. 456). Im Rahmen einer soziologischen Thematisierung kann Vertrauen nicht auf die Einstellung oder das Gefühl einer Person zu einer anderen reduziert werden.' (Endress 2002, p. 71).

als erwartete bzw. erwartbare Reaktionsform nur eine mikroskopisch präzis detaillierte Handlung und nur diese zuliesse,‘ and he adds ‚sondern konstitutiv für Vertrauen ist eine spezifische Toleranz für Varianzen. Dies ergibt sich bereits aus dem historischen (interaktionsgeschichtlichen), Vertrauen begründenden Erfahrungswissen, das als solches notwendig Schattierungen, Nuancen…..kennt.‘ (Endress in Hartmann und Offe, p. 171). This tolerance of judgment is also captured and discussed by William Harwood who addresses the (much needed) scope for discretion in a truster's appraisal regarding the level of fulfilment of obligations or other cooperative relationships. He broadens his analysis of trusting situations from a pure 'Iterated Prisoner's Dilemma'[35] to a '*Noisy* Iterated Prisoner's Dilemma' in which a more generous 'Tit-For-Tat' strategy which allows to handle 'error levels' in other player's fulfilment as one sees fit. He writes: 'Appropriate forgiveness and toleration of error provide a noise immunity mechanism for trustworthiness.' (Harwood 2012, p. 47). Admittedly, such a mechanism may leave us with trust as a phenomenon even more difficult to pin down, a situation which already Hume was well aware of: 'Tis impossible to separate the chance of good from the risk of ill' (Hume 1978, p. 497). However, a band of discretion in interpreting trusting situations is nevertheless not only expedient but also essential, particularly if the tolerance of risk is administered within an institutionalized framework by officials. Under such circumstances, may the belief be experienced as a resource with reproductive quality. Annette Baier confirms this:

> 'The more extensive the discretionary powers of the trusted, the less clear-cut will be the answer to the question of when trust is disappointed...either through incompetence, negligence, or ill will. In any case of a questionable exercise of discretion there will be

[35] The approach to go beyond a pure rational choice analysis of trust is also supported by Russell Hardin who proposes that iterated relationships are merely one source of relevant knowledge. Hardin himself is proposing a street-level epistemological account of trust (Hardin 1992, p. 152)

> room both for forgiveness of unfortunate outcomes and for tact in treatment of the question of whether there is anything to forgive. One thing that can destroy a trust relationship fairly quickly is the combination of a rigoristic unforgiving attitude on the part of the truster and a touchy sensitivity to any criticism on the part of the trusted. If a relationship is to continue...both to be forgiven and to forgive unfair criticisms, seem essential.'
> (Baier 1986, p. 238)

Beyond identifying trust purely as a social mechanism to manage risk, the knowledge of human beings is limited and incomplete so that human action and interpersonal relations are thus marked as situations containing a certain amount of risk, a thought that Martin Endress underscores when he concludes: 'Vertrauen als Risikohandeln zu fassen ist…..unter systematischen Gesichtspunkten zu unspezifisch' (Endress in Hartmann und Offe 2001, p. 174).

(3.4) Causal Mechanisms of Trust

For a comprehensive understanding of the *mechanisms* of trust, an important theoretical basis of the phenomenon which deserves closer attention needs to be captured. It concerns the modelling of the shapes of the belief. Taking the Bayesian learning account as a starting point it may be subsumed with Russell Hardin words:

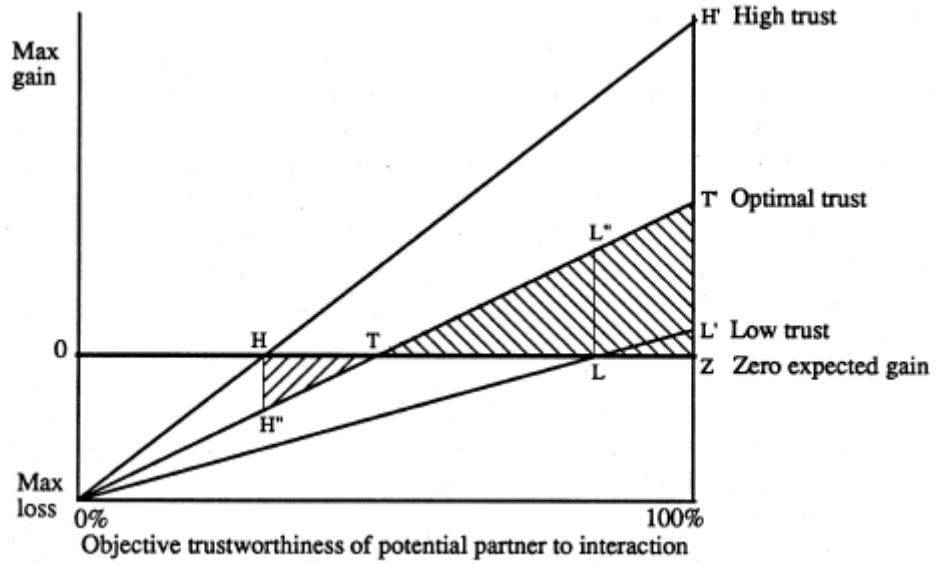
> 'On a Bayesian learning account, those who start life badly are disadvantaged by the continuing loss of welfare in forgone opportunities from low capacity for trust. The

> disadvantage must continue until they have enough experience to update their estimates of the general trustworthiness.' [36]
> (Hardin 1992, p. 164)

Such a view confirms that antecedent assessments of the prospects are continuously updated and even below average trusting attitudes resulting from bad experiences from earlier in life may find modification by more positive experiences from recent interactions, a condition that Baier and Weinstock termed 'malleability (cf. above). Of course, this adjustment response is also true for the alternative situation where a person starts out as being too optimistic about trusting others. Her attitude would be altered by more negative experiences until she finally reaches the suitable extent of trust. Generally then, a person's aggregate experiences tend to approach an optimal value, a level of trust that may be considered normal[37] for a given environment. A simplified model of Bayesian trust as an initial point of reference, including potential gain and loss profiles, may be drawn as by Russell Hardin:

[36] Here it must be noted that care needs to be taken that, as some writers sometimes do, the ability to trust gets distinguished from the capacity to trust, although the two are necessarily interrelated. If there is, for example, a reasonable degree of trustworthiness in a community this would be constitutive of a great ability to trust where, on the other hand, the capacity to trust is individual and mirrors the development of one's own trusting attitude at a certain point in time as has been discussed above. Of course, the greater the ability to trust in a community is the more the capacity to trust is influenced in a positive way, and vice versa.

[37] Of course normal here must mean normal for a given context. What is normal for a specific situation may thus not be normal for another situation. Harwood corroborates this: 'The idea of what is normal therefore changes as background information changes and so both the nature and the extent of trust may change as the result of context changes.' (Harwood 2012, p. 45). Thus, the stringent interdependency between context and trust is confirmed once again.



Trust, actual gains and losses[38]

(ibid., p. 167)

From this perspective, what results from different levels to trust is the expectation that the more a person is prepared to trust the more direct opportunities she has to update her assessment of situations. With regards to an (excessive) attitude of distrust the graph shows that the expected loss from interactions (the triangle made up by the points O, L and the lower left corner) is a lot larger than the expected gain (LZL'). A person with such an attitude tends to refrain from (too) many interactions and may thus end up with losses[39] of (financial or social) well-being. As a consequence, although a universal belief of trust may only pay off in a world where the level of trustworthiness is exceptionally elevated, only 'adopting the

[38] Where the break-even point for a person with low trust comes about at L, for the optimal truster it occurs at T and for the high truster at H (all on the line from 0 to Z). Thus, out of the three, the optimal truster will have the largest actual payoff (the triangle TZT') with still greater actual gains than the distruster (the trapezoid LZT'L") who expects only an LZL'-triangle payoff, and still somewhat larger than the actual payoff for the high truster who expects a gain of HZH' but whose actual payoff is TZT' minus the loss represented in HH"T).

[39] 'The losses are not merely of opportunities but of the capacity to capitalize on opportunities', as Hardin argues. 'Simply providing equal opportunity will not accomplish this end…It does not generate enough information for the distruster to correct her view of possibilities.' (Hardin 1992, p. 168).

behaviour of an optimistic truster...opens up the possibility of discovering the trustworthy', as only 'the high truster does the equivalent of as-if testing; the distruster does not' (Hardin 1992, p. 168). On the whole and alluding to the previous discussion of risk, Claus Offe states as follows: 'Extending trust, in other words, is an optimization problem, although it can hardly be resolved in terms of an optimization problem (i.e. in analogy to weighing risk against return in an investment decision)' (Offe in Warren 1999, p. 49).

The Bayesian model is, as Hardin admits, lacking in complexity. It is based on the assumptions that 1) the distribution of trustworthiness is proportional, 2) all persons are competent to assess the relative (all persons rank all people the same) but not the absolute trustworthiness of people (where one has a more optimistic and another a more pessimistic stance) because we have different mean estimates of it, 3) payoff is positive if trust is rewarded and negative if it is not, and 4) all partners and the interactions with them are objectively valued the same in terms of its potential loss or gain (ibid., p. 165). These shortcomings may be owed to the circumstance that trust is a phenomenon which is elusive. Nevertheless, the Bayesian model can serve as a basic structural description of the mechanisms relating possible biases and rewards regarding people's individual beliefs of trust and distrust to their effects.

The weakness of the Bayesian model lies in the fact that it allows for little more than an over-simplified, inelastic model of a person's general stance on induction from past experiences to the future. It is thus often accused of being a rather one-dimensional approach with regards to the *building* of trust and also of missing out vitally on the relation between trust and its relevant cognate beliefs. From the Bayesian model derives the expectation that the amount of trust applied up front to a possible interaction sets the level of engagement with

a partner, which means that the lower the trusting stance is, the less likely it is that an interaction comes about. Yet, even in cases where trust is lacking but not negated 'upgraded' cooperation may eventually take place. It is only situations of distrust, the opposite of trust, which may cause the complete standstill of cooperation. Such situations of distrust are not merely or at least not necessarily produced by ignorance, the lack of expectation or opinion, but by the expectation of harmful behaviour, thus distrust may be defined as 'confident expectation that another individual's motives, intentions, and behaviours are sinister and harmful to one's own interests' (Cofta 2006, p. 251). 'Confident expectation' is similarly aroused in cases of trust and distrust, where in the negative event evidences of harmful motivation is more often than not supported by an environment that tolerates or even supports harm.

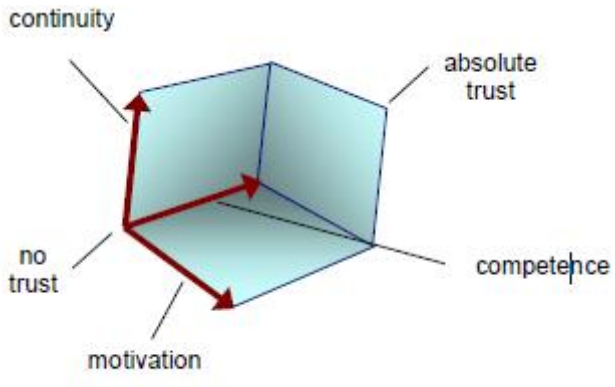
However, as Cofta tries to make sure, also an oversimplified account of distrust may be in need for revision. Both attitudes, trust as well as distrust, are impossible to be built without (the availability of) supporting evidences, that is – to use Baier's and Weinstocks term (cf. above) – they cannot be created ex nihilo. Agents with their aim to interact are particularly keen to look for and gather evidences in the early stages of relationships. But at a later stage they often become more and more complacent with what they know, a situation which is many times fuelled as new information gets disregarded, or as Weinstock says, the belief becomes evident-resistant. Prudence as well as vigilance may certainly work as preventions in order not to slide into such behaviour. Such evidence-seeking activities must - as long as they are reasonable - not be confounded with a purely negative valuation of circumstances, they are rather a form of liberal distrust. Margaret Levi confirms:

> 'active distrust, as opposed to trust or simple lack of trust, may be the normatively appropriate response, depending on the situation...when citizens are concerned about protecting themselves from incursions of state power or from intolerant majorities, there is good reason for the parties to be wary of each other.'
> (Levi in Braithwaite and Levi 1998, p. 81).

Of course, vigilance and prudence may work both ways as the verification of evidence may help the prudent person to update her trusting or distrusting stance. Although it is the case that, as Cofta writes, 'such 'positively-aimed prudence' is socially rare', he agrees that it 'is essential to the process of the restoration of trust' (Cofta 2006, p. 253). At this point one might want to know what line may confine vigilance from intrusion into the privacy of people. Piotr Cofta gives an answer to this question too, replying: 'The line can be drawn somewhere in-between, where the vigilance becomes the nuisance rather than just the evidence-enabling activity and where the complexity gain from trusting is increasingly eroded by the additional workload associated with vigilance.' (ibid.). If his view implies that it is desirable that prudence and vigilance should override attitudes of indiscriminate and blind trust as well as distrust - both situations in which the value of evidences gets overwhelmed by the unreflected, already existing extent of the belief.

Piotr Cofta's account includes the motivation of the various beliefs rather than, as was depicted with the Bayesian model, merely its state of affairs or its impact on outcomes. Cofta argues that it is three different classes of evidences which incite the creation and the shape of those beliefs. Where an evidence of continuity, so he writes, 'supports the perception that the 'order of the world' will remain stable', 'competence demonstrates that the trustee is able (competent, with available resources etc.) to actually act for our benefit' and 'evidences of motivation demonstrate that the trustee is willing to act for our benefit' (ibid., p. 254). At this

point it is noteworthy that in his formulation of evidences (at least) of the last kind he alludes to Hardin's account of 'encapsulated interests' when he specifies that motivations are 'e.g. due to the fact that our best interest is encapsulated in his best interest' (ibid.). The three different evidences, all of which Cofta sees as rather autonomous parameters and thus not significantly contributing one to another, may be depicted in the form of a three-dimensional cube:

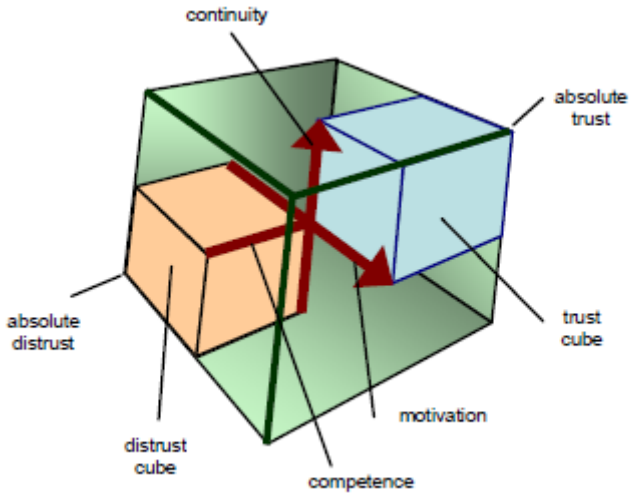


Cofta's Trust Cube (ibid., p. 254)

If all individual axes are assumed to be comparable in strength and thus to range from 0 (no evidence) to 1 (strongest possible evidence), every single point within the cube that is in between complete lack of trust (the point 0, 0, 0) and absolute trust (the diametrically opposed point 1, 1, 1) may be seen to illustrate a different shade of trust. In other words, it can be stated that the more any of the three evidences are missing the more trust decreases towards the extent that it disappears entirely[40]. This cube contains no beliefs of distrust, however, as the absence of evidences for trust is not a sufficient variable. Only if trust is reversed by way of negation of all dimensions of evidence, situations of distrust emerge. In order to depict

[40] The situation may be imagined where the lack of trust is caused by an overall lack of evidence. Following Stephen Marsh and Mark R. Dibben this may be called 'un-trust' (Marsh and Dibben in Herrmann 2005, pp. 17-33)

distrust in a similar way the three axes must be extended in the negative direction up to the point of absolute distrust (-1, -1, -1). With such a cube all shades of distrust may be pinpointed symmetrically to the shades of trust. A bigger cube comprising all nuances of trust as well as distrust may then be drafted in the following way:



Cofta's Cube of Trust and Distrust (ibid., p. 254)

Concerning the negation of evidences influencing beliefs of distrust, it needs to be noted that discontinuity is not the negation of continuity. It constitutes a certain lack of trust only, yet it does not generate levels of distrust. Distrust finds support, however, by 'negative continuity', where evidences show that 'the trustee is bound by (or believes in) the continuity that differs from ours...controlled by forces unknown to us, being bound by moral obligations that are not shared by us etc.' (ibid. p. 255). Similarly, it is the case with competence and the lack thereof, which is certainly a situation that breeds un-trust yet does not lead to distrust. It is 'negative competences' of a trustee only, 'competences that will allow him to interfere and disrupt our preferred scenarios' (ibid.) that will generate levels of distrust. Cofta adds that two very particular difficulties exist, both arising from the fact that negative and positive competences

are too often hardly distinguishable. First, it may, for instance, often be the case that knowledge of the good and the bad sides of a potion go hand in hand (a certain dosage of which may be used as a medicine another one as a poison). Second and related to this, it must be understood that competences need to be demonstrated not just latently (as any reasonable person may distinguish between healing and killing). Furthermore, it is the case with evidences of motivation that they are easiest to negate. If there is (or just seems to be) evidence that a trustee's 'destruction of our case is encapsulated in his interest' (ibid.), that is, if we have reason to believe that he may act in harmful ways in order to thwart our plans, negative motivation will result. Different combinations of negative evidences of all three classes thus make out the individual points of the (smaller) distrust cube within the (bigger) overall cube depicted above (as is the case with the trust cube).

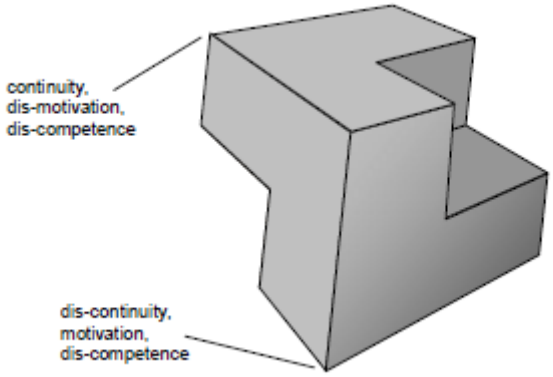
There is a decisive asymmetry between trust and distrust, as it has been argued that the building of trust is something that comes about in an unreflective manner. Distrust, on the other hand, is a belief that is mostly based on an agent's actual judgment as one is at least able to *decide* against trusting. Thus, Diego Gambetta claims: 'Trust is a peculiar belief predicated not on evidence but on the lack of contrary evidence' (Gambetta 1988a, p. 234). Claus Offe follows this line of thinking. He argues that the evidence with regards to distrust may be conclusive but that this is not *necessarily* the case with the evidence for trust, and so he ascertains: 'The trust that evolves is a residual – the residual that remains after an extended period of disconfirmation of reasons for distrust.' (Offe in Warren, 1999, p. 55). This is a pattern that is regularly experienced by us when our interlocutors are tacitly set to the test. David Lewis and Andrew Weigert characterize this situation with the words that 'to trust is to live *as if* certain rationally possible futures will not occur' (Lewis and Weigert 1985a, p. 969;

italics in original). The resulting asymmetry is that although we may greet our counterpart in many situations with an 'as if'-attitude[41] of trust, we may nevertheless be 'waiting' for reasons for distrust[42], which may result in disproportionate or even unwarranted distrust. Diego Gambetta further substantiates this: 'Doubt is far more insidious than certainty, and distrust may become the source of its own evidence' (Gambetta 1988a, p. 234). As broached above, the social consequence is of course that the more we are amenable to discomforting clues the more we cut ourselves off from optional activities as we are less inclined to engage in experiments with others.

From the bigger cube of trust and distrust it is easily determinable that (in the way the diagram is constructed) the largest area by far gets represented by a mixed set of evidences, that is, a situation where some of which may be positive and some other negative. In such cases different classes of evidence point to different directions and a clear signal for (a certain shade of) trust or distrust is thus missing. As the classes of evidences are not compatible they may not be consolidated, at least not too easily, and no simple answer is the most probable outcome. Such conflicting evidences may not only represent the biggest space (six equally sized cubes) of the diagram but it may easily be imagined that they account for the majority of cases in real life. This zone of mix-trust looks like this:

[41] Such an 'as if'-attitude may be taken to confirm the pre-reflective character of trust once more. Martin Endress, resorting to a work of Peter Blau (1967), asserts that 'dieses >als ob< umschreibt keine reflexive gewonnene Hypothese über kommende Entwicklungen, sondern ist den implizit fungierenden Grundannahmen als Kern des Vertrauensphänomens immanent. Deshalb wird einem häufig erst durch einen erfolgten Vertrauensbruch deutlich, dass man vertraut hat. Und dies zeigt, dass sich Vertrauen hier gerade nicht mit spezifischen Erwartungen hinsichtlich spezifischer Situationen verbindet, diese also zumindest nicht reflexiv verfügbar sind.' (Endress 2002, p. 72).

[42] In this respect, William Harwood rightly adds: 'In some circumstances, for example when we lack specific information, we adopt…an attitude of trust or distrust towards others. This is our stance. It may be that we have learnt that the best starting place for a relationship is to start with trust and move to distrust when it is not returned. It may be that we believe that it is better to start with distrust and give trust when it is earned.' (Harwood 2012, p. 45).



The Mix-trust Area (Cofta 2006, p. 256)

In accordance with Cofta's model, by applying a) individual, situational arbitrary rules this zone may be diminished (e.g. one axis may be given more weight than another), b) tolerance (as discussed above) may allow to override actual evidence, or c) mix-trust situations may be resolved by fragmenting a person's identity (different functions of an agent may give different resulting evidences). Yet, Cofta sees some difficulties with regards to these 'escape routes' saying that 'mix-trust may not be socially bearable' (ibid., p. 256). It is certainly the case that if we come to no clear opinion about a person (in a certain situation), the primary purpose of trust, the reduction of complexity in terms of incorporating the unfamiliar into the realm of the familiar, is not accomplished, because no clear (trusting) scenario has emerged.

Moreover, Cofta's presentation of trust concerns the discussed difference between risk assessment and trusting stances. From the perspective of risk, situations of mix-trust may, identical to trust or distrust, be assessed in terms of risk using appropriate resources and instruments. Thus, Cofta concludes:

> 'Trust-based approach is needed when the future is uncertain with not known probability distribution (or when probability distribution does not make sense, e.g. in individual irrecoverable cases). Therefore individuals (or small organisations) must

> resort to trust or distrust (with all possible simplifications that it requires) as their main strategy, as it is the reduction of complexity that drives them while resourceful organisations can embrace risk assessment and mix-trust.'
> (ibid., p. 256-7).

Concerning the empirical records which we base our trusting behaviour upon (or which we take into consideration when we decide not to), it is not the case that trusting behaviour depends exclusively on personal experience. Due to the circumstance that not only first hand information is incorporated in our 'decision' to trust but that also (transmitted) widely-held knowledge or generally accessible facts may get included, it results that experiences are not only generalised with regards to the history we have with a particular person. Moreover, trusting behaviour gets spatially and socially[43] moulded too. These further two dimensions have remarkable effects: the former leads to the assumption that what may be applicable here may also be applicable elsewhere while from the latter it may be concluded that certain experiences that a truster or a trusted had with one person are at least in principle transferable to similar situations with other persons.[44] These are decisive characteristics of the behavioural patterns of induction which individuals are drawing on when they trust. In this respect, Russell Hardin claim that:

> 'Understanding that others will be trustworthy when their incentives are right, as in the encapsulated interest account of trust, may hold greater, quicker promise for grasping [those] opportunities. This requires seeing the choices of others from their perspective to comprehend their incentives. Then trust becomes fully strategic. It is no longer merely induction on senseless facts.'

[43] John Brehm and Wendy Rahn (1997) have found that satisfaction with friends is the most powerful determinant of trust; or more generally, as Eric Uslaner writes: 'If you have a fulfilling personal life, you are more likely to give strangers the benefit of the doubt' (Uslaner 1998, p. 451).

[44] Deeper insight into this will be achieved when discussing Simmel's trust's variations in sociation processes.

(Hardin 1992, p. 175).

(3.5) Micro-Level Mechanisms of Trust

Sociologically, familiarity may generally either describe a very close interpersonal acquaintance, a relationship which has developed over time (e.g with kin and friends). Alred Schütz summarizes the meaning and significance of familiarity as follows: ‚Der Begriff Vertrautheit gibt die Bedingungen an, unter denen die Aufgaben, das Unvertraute in vertraute Begriffe zu übersetzen, als gelöst betrachtet werden kann.' (Schütz 1971a, p. 56ff.). Yet, it may also refer to situations and circumstances which are recurring and which are thus well-known to us (and in which symbols or rituals may be seen as playing a part). In daily life, familiar relations and matters tend to be taken for granted. This leads Martin Endress to determine the importance of familiarity for trust in the following way:

> 'Vertrauen fungiert in entsprechenden sozialen Beziehungen als grundlegender Modus des Sich-wechselseitig-Begegnens auf der Basis gewachsener Vertrautheit. Vertrauen zu anderen hat die Vertrautheit mit ihnen prinzipiell zur Voraussetzung; wobei klar ist dass diese Vertrautheit nur ausgebildet werden kann, wenn dem, der oder den anderen gegenüber nicht weitgehendes Misstrauen dominiert. Allerdings ist die Abwesenheit eines solchen Misstrauens noch nicht positiv als Vertrauen zu qualifizieren; Formen des Sich-zunächst-einmal-Einlassens-auf, also des grundsätzlichen Kredit-Gewährens bilden die von ausgeprägten Vertrauen zu unterscheidenden interaktiven Auftakthaltungen.'
> (Endress in Hartmann und Offe 2001, p. 168)

Accordingly, with regards to personal relationships familiarity more often than not is the fundamental condition for a trusting attitude equipping us with, what Anthony Giddens calls, 'ontological security' (Giddens 1990, pp. 92-100) [45]. Having said that, it is important to keep in mind that, due to the different ways we may generalize experiences, we sometimes tend to trust people without being all too *personally* acquainted with them. This is the case when we are trying to familiarize by means of circumstances, e.g. standardization or typologization, mechanisms which offer an aid to orientation with a certain range of variation. Martin Endress illustrates: 'So ist Neues stets Neues vor dem Hintergrund des bisher typisch als gültig Erachteten' (Endress in Hartmann und Offe 2001, p. 196). This relational character inherent in the notions of standard or type is what finds reflection in trust.

At the same time, Ludwig Wittgenstein (1958, § 596) mentions a particular complexity in trying to familiarize with social environment. Familiar objects and situations do not necessarily arouse a feeling of familiarity, he says, and it is easier to get a feeling of strangeness from unfamiliar objects. This means that although feelings of familiarity do exist, their presence is not typically determined by what is familiar. It is situations that we are unacquainted with which make one feel uneasy and it is the absence of which that may put one at ease. While this may offer an explanation of how human beings attempt to familiarize via spatial or social experiences, yet, they may furthermore be taken as lending support to the meta-conceptual logic of the distinction between familiarity and unfamiliarity which forms a

[45] George Spencer-Brown's logic may help to illustrate the basics for this line of thinking further. He argues that we begin making distinction as soon as we are born (by indicating what we mean or by experiencing what we do, for example). Growing up we condense the form of this logic through distinguishing repeatedly. That is, on one level we recognize sameness and on another level we familiarize with a subject or circumstance. While we live in a familiar world which includes the familiar *as well as* the unfamiliar which we know in a familiar way, the boundaries between the two gets constantly shifted, by the way the world is changing (potential increase of the unfamiliar) and by our attempts to integrate the unknown (potential increase of the familiar) (Spencer-Brown 1971).

constitutive part of trust. However, the environmental conditions with regards to building up relationships based on familiarity have changed over the years. The evolutionary development of mass increasing literacy, the printing press and, most recently, the computer has led to an ever larger amount of knowledge being stored. Thus, new ways to cope with the unfamiliar, its transmission into the familiar, have been made available. Luhmann concludes from this:

> '...familiarity survives as a purely private milieu without function for society as a whole. Differences in familiar milieu may now explain cultural and national differentiation, or the diverging results of socialization; they no longer describe the human condition.'
> (Luhmann in Gambetta 1988, p. 102)

During this evolutionary process, some argue further, the number of relationships we may engage in increased, yet simultaneously the possibilities of direct and deep familiarity with persons were curtailed. Martin Hartmann, for instance, writes that: '…wir im Rahmen einer funktional differenzierten Gesellschaft immer weniger über immer mehr andere wissen...' (Hartmann in Hartmann und Offe 2001, p. 14). Particularly under socially and procedurally sound democratic conditions, Claus Offe diagnoses such 'structural scarcity of opportunities' based on close-knit acquaintances to build up trusting relationships and reputations of trustworthiness. This situation is resulting in opaqueness or even anonymity of the fellow citizens as well as institutional agents (Offe in Warren 1999, p. 56). In experimental situations David Messick and Marilynn Brewer have found that 'members of an in-group tend to perceive other in-group members in generally favourable terms, particularly as being *trustworthy, honest, and cooperative*.' (Messick and Brewer 1983, p. 27-8; italics in original). Some theorists conclude from this that if familiarity is a decisive fundament for a trusting attitude and if it is functionally reduced to relatively small social spheres, such conditions may

lead to negative impacts on trusting behaviour. In other words, it seems to be the case that the more it is true that familiarity is limited to small in-groups, like families, kinship or local cluster of people only, the more the possibility for an overall trusting attitude in the community at large diminishes, while leading to, what Yamagishi and Yamagishi term, 'particularized trust' (1994)[46]. This view does have Claus Offe's consent. He says:

> The main problem with trust emerging from the experience of personal interaction is the narrowness of its scope…..But in a society in which mobility and the need for cooperation with and reliance upon strangers is a prominent feature, this is not of much help'
> (Offe in Warren 1999, p. 55)

In a world where individuals are interdependent on and interact with each other, trust must be more pervasive. However, as much as familiarity (and a trusting stance based on it) is a cultural facility which may arise through close or customary relationships between individuals, it may also result in friction or even in distrust. Margaret Levi writes:

> 'Moreover, normative communitarians tend to neglect the destructive distrust that can exist within families, villages, and small towns. Feuds within families and feuds among families suggest that intimate knowledge does not always produce either trust or cooperation and in fact can produce just the opposite.'
> (Levi in Braithwaite and Levi, 1998, p. 82).

In the words of Russell Hardin:

> '...such narrow views cannot readily be sustained by many people if they are constantly exposed to very different views. Often the reason people alter their views about ordinary matters is that they experience things that run counter to the beliefs, or they deal with people who question their beliefs.'

[46] In its excessiveness Edward Banfield goes as far as calling it 'amoral familism' (1958).

(Hardin 2006, p. 121)

At the same time, the level of familiarity that holds sway in a community does not necessarily constrain people. It may enable group members to (better) rely on each other, a situation which may be further sparked by - for instance - increased levels of mutual predictability[47] often going hand in hand with it. Such forms of personal familiarity are accommodating and comforting. As familiarity occurs in different degrees, the extent of it may not be similarly high in the increased anonymity of society at large and thus trusting attitudes following from it may not equally be taken for granted. After all, 'generalized' as well as 'particularized' trust premised on the level of familiarity do not need to be interpreted in the sense that 'the former is universally good, the latter unconditionally bad' (Uslaner in Warren 1999, p. 128). According to Eric Uslaner, high trusters rate their in-group members significantly less positively (mean score 1.864) than mistrusters (6.899). Uslaner also found that trusters many times view their political opponents with their particular interests as too confrontational and suspect (-5.387), sharply different from the average score of (positive) 0.448 of mistrusters. 'Perhaps', so he assumes with regards to trusters, 'they see those on the other side of the political fence as "special interests"' (ibid.).

With regards to a particular form of familiarity, Diego Gambetta analyses the causes for the emergence and the endurance of the mafia in Southern Italy. For embers of mafia-like organized groups, individuals who stand outside the immediate 'family' are considered 'potential enemies' (Banfield 1958, p. 107ff). This may be why their members often call it the

[47] The consequences of the different level of predictability have been reported by Seligman, Maier and Solomon (1971), for example. In an experiment, dogs which have been subjected to random and unpredictable shocks suffer more than those who are receiving predictable punishments. With regards to interaction, even normal interests diminish considerably within the first group compared with the second, leaving them listless.

'cosa nostra'. Groupings based on such a sort of trust-building many times exhibit the features of confidentiality, another term which is related to the notion of trust and which describes a very intimate form of familiarity, in the respect that it is, as Martin Endress says, 'ein - stets situatives und thematisch spezifisches - Verhältnis zu einem oder mehreren anderen Menschen, insofern dieses den Character des Geheimen, des Inoffiziellen, des strikt Persönlichen, des ausnahmslos Privaten trägt (Endress in Hartmann und Offe 2001, p. 167-68). Thus, individuals excluded of such tight-knit groups are likely to be trusted less than in-group members. This attitude follows from mere induction that outsiders are less trustworthy than friends and kinship[48]. This situation may arise from the outsider being given few opportunities to demonstrate trustworthiness. Gambetta asserts that clustering 'stresses inclusion, and inclusion can only subsist by simultaneously postulating exclusion' (Gambetta 1988b, p. 164). On top of that, if trust is based on personal bonds[49], the political system of a society may be expected to demonstrate a low quality of its institutions. Gambetta sees a need to clarify trust: 'This is a kind of trust that is in endemically short supply and that....does not increase with use. After all, it is perhaps no trust at all, but rather the segmentary and patchily organized exploitation of distrust' (ibid., p. 166). Under some circumstances a process can be set in motion where trust in fellow citizens collapses, and a sense of distrust (or at the very least indifference or retreat) may become pervasive in a given society. In other words, as people may end up suspecting and mistrusting each other, institutions may lose their

[48] William Harwood comments on the problem of inductive generalization: 'Inductive generalization only has meaning against a background theory that underwrites the generalization by providing some sort of "continuity" condition. When dealing with people, the continuity condition is often the understanding of the underlying motivation for the behavior. This can go awry when the individual intends to deceive, as in the case of a *sleeper*' (Harwood 2012, p. 44)

[49] Furthermore, he cites Anton Blok (1974) on the problem of 'instrumentalized' personal preferences, who says that 'the mind cannot tell the difference between the public interest and immediate personal interest' (Gambetta 1988b, p. 165)

legitimacy or effectiveness.[50] Moreover, in countries with a low quality of political and other institutions, the behaviour of distrust can hardly be considered irrational, while unleashing a Hobbesian vicious circle of low societal performance levels, such as depressed per capita gross national product (GNP) levels. Under circumstances like these, to distrust may - from a rational point of view - make more sense than to trust. Such an ambience can also be a fertile ground for a high level of importance of organic, interpersonal social ties, which are 'successful not just at coping defensively with lack of trust...but at turning distrust into a profitable business' (ibid.).[51] Therefore, it can be assumed that the quality of democratic institutions and national-level economic performance are likely to be interrelated. Thus, it can be concluded that in countries with low levels of generalized trust, low quality levels of institutional frameworks are likely to prevail, while leading to low levels of economic welfare, as reflected in per capita GNP levels. In other words, micro-level mechanisms of trust formation may have durable macro-level effects for both democratic institutions and country-level economic performance. Jack Barbalet adds to that: 'If the basis of trust is located in communal solidarity, then the possibility of trust in non-communal members is theoretically anomalous and practically fraught' (Barbalet 2006, p. 10). It may thus hardly be disagreed with Niklas Luhmann who asserts that 'we cannot neglect the conditions of familiarity and its limits when we set out to explore the conditions of trust' (Luhmann in Gambetta 1988, p. 95). To his statement I would like to add that low levels of generalized trust may thus have significant social, economic and political effects.

[50] As Diego Gambetta elucidates, in the case of the Sicilian society there exist of course other factors, e.g. economic backwardness, heavy constraints on social mobility and not least the lack of a credible central agency (Gambetta 1988b, p. 163)

[51] However, as Gambetta clarifies, 'the mafia' must rather be taken as system where '[T]he characteristics of its persistence suggest those of a turbulent equilibrium' and 'does not…apply to any one cluster or coalition of clusters in particular' (ibid. 165).

In other words, micro-level social mechanisms are likely to reinforce macro-level social structures, as Claus Offe also indicates:

> 'The more trust is based upon group identity and group belonging (as a substitute for direct interaction), the more limited it is and the more likely trust is to be withheld from anybody outside of the boundaries of the group, with result of massive discrimination and aggressive distrust directed at the outside world of those who do not clearly belong to "us".'
> (Offe in Warren 1999, p. 65). [52].

Essentially, the more the allocation of trust is restricted by tradition, culture or values, the more the generalization of trust is hampered in particular societies or countries, as Piotr Sztompka indicates in his remark that 'strong loyalty to tribal, ethnic or familial groups, [can be] matched with xenophobia' (Sztompka 1996, p. 45).

Whereas the level of trusting behaviour is to a certain extent determined by the aggregated information individuals have about people they repeatedly interact with, relationships based on *personal* familiarity are merely one of many possible sources of relevant knowledge for trust (as well as only one of several possible incentives for trustworthiness). Martin Endress (in Hartmann und Offe 2001, p. 166) distinguishes between three categories of familiarity. Familiarity may be based on close-knit personal acquaintances that have stood the test of time. Their characteristic is a status of social relationships. However, there are two further reasons for familiarizing which are not essentially grounded in face-to-face interactions. We may, as a second category, be familiar with circumstances, situations and conditions of facts

[52] Offe also explains that the strongest in–group signals need to satisfy three criteria in order to generate positive and negative trust-values: a) they may not be acquired, b) they may not easily be given up, yet c) they need easily be detected from within and from outside a group. He mentions two obvious examples with such ideal characteristics: 1) age, and 2) gashes (Schmisse), dueling scars acquired in academic fencing (Mensur) and worn as a badge of honour (ibid., p. 63ff).

and things, because we have ample (first- or third-person) *knowledge* about them. And thirdly, familiarity may refer to signs, symbols, rituals as well as all kinds of routines which have become self-evident and which we thus take for granted, a fact that has been broached above and which, with regards to my argument, must be understood as having rather negative impacts on a society at large. Defining the essence of familiarity Endress reiterates:

> ‘Der Zustand des “Vertrautseins” umschreibt ein Verhältnis unterstellter gesicherter Orientierung, er bringt die Annahme hinreichend abgestützten, gesicherten Wissens über andere oder über “etwas” auf den Begriff. In dieser Hinsicht fungiert Vertrautheit als Grundlage von Vertrauen‘
> (ibid., p. 167)

The positive upshot from Endress is that trust must not necessarily stem from ‘thick-relationships’ (1992), a term with which Russell Hardin tags the circumstance that individuals will trust (and be trustworthy towards) one another only to the extent of their first-hand knowledge they possess about each other. There do exist other bases which we familiarize from, not only the one of the close-knit personal kind and which may induce us to trust social and political institutions. According to Endress this holds true at least as long as unrestrained distribution of sufficient, relevant and assured knowledge takes place, which freedom of the press indices are likely to reliably approximate:

> ‘Gleichwohl muss man, wenn man mit jemandem vertraut ist, ihm oder ihr nicht zugleich vertrauen. Umgekehrt kann man zwar auch jemandem vertrauen, ohne mit ihm vertraut zu sein, aber dieser Fall bildet nicht nur empirisch eine Ausnahme, sondern gründet strukturell in der zuvor angesprochenen Generalisierungspraxis, das heisst auch dieses Vertrauen vollzieht sich letztlich auf einer Vertrautheitsbasis.‘
> (Endress in Hartmann und Offe 2001, p. 167).

However, although and as Endress claims it may in practice more often than not be the case that the degree of familiarity existing between individuals may gain priority in evaluating interpersonal relations and societal institutions, which demands further inquiry. As Hardin argues '...this descriptive fact does not give it conceptual or theoretical priority. A fully articulated theory will include this class as a part, not as the whole story, of the epistemology of trust.' (Hardin 1992, p. 157). In other words, given the basis of social institution quality in micro-level interpersonal relationships, their macro-effects, e.g., economic welfare, are also likely to be affected by the institutional foundations for generalized trusting behaviour, such as press freedom, as factors influencing both micro-level and macro-level processes. Hardin therefore concludes: 'In sum, if we have a general incentive-to-be-trustworthy theory of trust, the thick-relationship theory must be merely a special case of it. In particular, the thick-relationship theory is wholly subsumed by the encapsulated-interest theory' (ibid., p. 158). Therefore, these theorized interrelations between these processes demand empirical validation.

(3.6) Micro- and Macro-Level Foundations of Institutions

At this point though, a further differentiation between the notion of confidence[53] and the one of trust as micro- and macro-level phenomena subtending the quality of social institutions is in order. On the one hand, the two notions have in common that, as Niklas Luhmann writes, both concepts 'can be a matter of routine and normal behaviour' (Luhmann

[53] In German language, Niklas Luhmann 's word for confidence is 'Zuversicht' (e.g. Luhmann in Hartmann und Offe 2001, p. 143 ff), while Claus Offe uses the term 'subjektive Gewissheit' too (e.g. Offe, in Hartmann und Offe 2001b, p. 244 and elsewhere).

in Gambetta 2008, p. 97) and both 'refer to expectations which may lapse into disappointments' (ibid.). Hence, although confidence as well as trust are subject to a fair amount of cognitive inertia both beliefs may suffer or even collapse abruptly if contradicting evidence surfaces and accumulates[54]. On the other hand, so Luhmann goes on, '[t]he distinction between confidence and trust [thus] depends on perception and attribution....In the case of confidence you will react to disappointment by external attribution. In the case of trust you will have to consider an internal attribution' (ibid., p. 97-98). In other words, confidence can be understood as associated with generalized trust, such as in social institutions, whereas in the case of trust its level is likely depend on interpersonal or inter-agent interactions, as phenomena that tend to have macro- and micro-level implications respectively.[55] In this regard, Luhmann states further that 'the relation between confidence and trust becomes a highly complex research issue. The question is not simply to assign expectations to types and to sort them according to whether they are based respectively on confidence or on trust.' (ibid., p. 98). This, distinction between confidence and trust, thus, elucidates the mechanisms that interconnect between micro- and macro-level social processes. Therefore, Luhmann explains that '[a] relation of confidence may turn into one of trust if it becomes possible (or is seen to be possible) to avoid that relation' (ibid.). Consequently, low or high levels of trust in social institutions can be expected to be reflected in the quality of these institutions.

[54] 'While we will usually be willing to ignore some lapses from good behavior…if presented with a clear breach of trust by someone our faith in that person will be fatally undermined. However, if an untrustworthy person behaves well on one occasion, it is not nearly so likely that the converse inference will be made' (Good in Gambetta 2008, p. 43)

[55] A certain degree of asymmetry that exists between trust and confidence materializes also in their 'scope for discretion'. Jean Camp et al. observe in their research paper that 'people are ready to forgive harms they may have suffered due to incompetence far more quickly and readily than harms they perceive to have been caused by the bad intentions of others.' (Jean Camp et al., 2001, p. 236)

At the same time, the interrelations between micro- and macro-level social phenomena does not obviate their distinctiveness, as Claus Offe also argues in this context: '"Trust", in a way, is the opposite of "confidence", though the two are often used interchangeably. Confidence relates to trust as facts relate to acts.' (Offe in Warren 1999, p. 44). This is also what Luhmann's distinction of external versus internal attribution also refers to. Offe supports the view that by indicating that the betrayal of confidence is likely to be attributed to generalized causes, such as '*bad luck*, chance or Providence, but not to an act of myself.....unless, that is,' so he specifies, 'I have reason to suspect that the trustee tries to mis-represent his negligence, or failure of intentions, as causally determined by circumstances beyond his control' (ibid., p. 44-45; italics in original), which establishes the link between trust levels and institutional quality. Furthermore, Offe suggests that institutional quality represents a cumulative effect of trust levels that *qua* micro-level phenomena cannot necessarily be observable in relation to their country- or society-level implicaitons. He argues:

> 'Institutions are factual arrangements that provide incentives and options to actors who are involved in or live under certain institutions. As such, they are factual constraints of action, the durability and validity of which we can view with confidence. Trust, in contrast, can only be extended to actors and the ways in which they perform and enact their roles within institutions.'
> (Offe in Warren 1999, p. 45)

However, as Anthony Giddens argues, in empirical terms it is important not to conflate between micro- and macro-level phenomena: 'Trust may be defined as confidence in the reliability of a person or system...where that confidence expresses a faith in the probity or love of another, or in the correctness of abstract principles (technical knowledge)' (Giddens 1990, p. 34). Thus, 'trust in abstract systems', as Giddens calls it (1990, p. 83-8), or 'system

trust', a notion from Niklas Luhmann's terminology (1979, p. 22, 88-9), can only be estimated indirectly through the quality of societal institutions. As much as trust in the government, so Jack Barbalet elucidates, can be theorized to affect its legitimacy, institutional quality or the level of economic performance, its direct influence occurs on the micro level of 'the principal-agent relationship' (Barbalet 2006, p. 7). Such relationship between government and governed was earlier described by John Locke as one of trusteeship (Locke 1963, p. 348-50), a situation where one party acts on behalf of another, is therefore dissimilar when construed in either macro-level or micro-level terms, as Barbalet illustrates:

> 'Indeed, to 'system trust' the internet, Google, the banking system or some similar entity, is to be confident that it will perform to its claims...The difference between trust properly understood and 'system trust' is clear in the different relation each has to action. Whereas trust is agentic and encourages cooperative action, it is the breakdown of (implicit) contract or 'system trust' that provokes action, as Locke's account of breach of trusteeship indicates (Locke 1963: [p.] 459-62).'
> (Barbalet 2006, p. 7-8)

Likewise it is the case with Giddens' term 'trust in abstract systems' the level of which is likely to be closely intercorrelated with institutional quality as a macro-level phenomenon. That the quality of social institutions has macro-level implications is stressed by Bernard Barber discussed in an earlier paper, as he discusses institutions in terms of 'fiduciary obligations that putatively attach to expertise as a societal norm' (Barber 1983, p. 14-7). Thus, such a situation is a matter of belief in the competence of a service provider which will, in case of unsatisfactory fulfilment, provoke a loss of confidence so that a low or high level of institutional quality can be expected to interactively generate low or high levels of generalized

trust.[56] Likewise, Mark Warren states on social and political institutions that '...confidence in their correctness is not sufficient for trust. One must also judge that the agents of abstract principles share interests or, minimally, lack malice. This point is key to conceptualizing trust in political circumstances.' (Warren 1999a, p. 311, footnote 3).

In other words, trust may be conceived of as a product of complex interrelations between micro- and macro-level processes, as Jack Barbalet indicates: 'Trust may assume confidence, but confidence does not imply trust.' (Barbalet 2006, p. 8). Although the two notions are conceptually distinguishable, it appears nevertheless to be the case that 'trust implies confidence' as also Susan Rose-Ackerman writes (Rose-Ackerman 2001, p 526). Barbalet elucidates: 'The basis of trust, then, is the feeling of confidence in another's future actions and also confidence concerning one's own judgement of another. Thus there is a double confidence within trust.' (Barbalet 2006, p. 13).[57] This statement points out that investigations into the effect of trust on the quality of social, political and economic institutions may need to operationalize it in terms of reciprocal causal links between respective indicator variables, because 'confidence and trust are conditional on a self-based capacity for assessment of expectation' (ibid., p. 14).

Given these clarifications, confidence and trust are pivotal, interrelated factors in most if not all dealings between individuals. Thus, the two of them play a decisive role not only in the wide field of interactions of individuals in the personal environment but are just as vital with regards to participation and engagement in institutional affairs, be it in political matters

[56] Maybe this issue regarding beliefs in abstract systems appears less elusive to many if the service is thought to be provided by a market, which is a more abstract term, rather than by an identifiable institution or firm. In such instances the term confidence may more readily be applied.

[57] Particularly with regards to confidence concerning one's own judgments, it may already be understood that people's social intelligence is not a negligible factor in making sound assessments of others' trustworthiness, the significance of which will be elaborated upon in a later chapter.

or else. However, the formulation of specific interrelations between respective empirical indicators, such as press freedom, institutional quality, democratisation and economic performance indices and data, remains underspecified in scholarly literature. For instance, Niklas Luhmann, as a systems thinker, says: 'Confidence in the system and trust in partners are different attitudes' where it is the case that we 'require more confidence as a prerequisite of participation and more trust as a condition of the best utilization of chances and opportunities' (Luhmann in Gambetta 1988, p. 99).

He illustrates his approach by introducing an example from the world of economic relations:

> 'As a participant in the economy you necessarily must have confidence in money. Otherwise you would not accept it as part of everyday life without deciding whether or not to accept it....But you also need trust to keep and not spend your money, or to invest it in one way and not in others.'
> (ibid., p. 98).

This indicates that the quality of institutions is likely to have a significant impact on the national-level economic relations and performance, such as economic output, as trust may be important both in one to one interactions and for participation in functional systems, be it in economy, politics or society. Participation in organizational matters may require confidence as generalized trust, since having confidence can hardly be avoided in order to participate in society at large. This posits that between institutional quality and the performance of social, political and economic institutions a positive interrelationship is likely to exist. In this respect, Niklas Luhmann adds that:

> 'If there is a lack of confidence there will also be a diffuse sentiment of dissatisfaction and alienation or even anomie. This may have no immediate impact on the system[58]. If trust is lacking, however, this changes the way people decide about important issues.' (ibid., p. 103).

In other words, low or high levels of confidence and trust are likely to lead to inferior or superior social, political and economic outcomes respectively. Niklas Luhmann specifies this with regards to political institutions:

> 'A lack of confidence may mean, without further reflection, a lack of trust, and lack of trust means that behaviour which presupposes trust will be ruled out....At the same time, the structural and operational properties of such a system may erode confidence and thereby undermine one of the essential conditions of trust.'
> (ibid., p. 103).

Thus, relatively stable and self-reinforcing interrelations between the quality of trust-and confidence-related institutions and social, political and economic systems may arise. After all, what seems evident is that the more the level of confidence is in decline and the more the amount of trust in partners is decreasing the less there will be options available. This is true not only with regards to the range of rational activities in the interpersonal environment or vis-à-vis organizations within the business world, but citizens may reduce their political engagement too. Besides, declining levels of trust may also result from, as Luhmann points out, 'increasing diversification and particularization of familiarities and unfamiliarities' (ibid., p. 105), for instance. With respect to political systems, these interrelated processes are likely

[58] Luhmann addresses the issue of immediacy of impact at a later point in his text: 'the *lack of confidence* will lead to feelings of alienation and eventually to retreat into smaller worlds of purely local importance, to new forms of 'ethnogenesis', to a fashionable longing for an independent if modest living, to fundamentalist attitudes or other forms of retotalizing milieux and 'life-worlds'. This may have indirect repercussions on the political system and the economy…' (Luhmann, in Gambetta 1988, p. 104)

to establish a self-reinforcing link between low or high levels of institutional quality, such as that of rule of law and press freedom, and the low or high functioning of democratic institutions respectively.

As Todd La Porte and Daniel Metlay explicate, these processes can be expected to take place on the micro and macro levels simultaneously:

> '*Trust* is the belief that those with whom you interact will take your interests into account, even in situations where you are not in a position to recognize, evaluate, and/or thwart a potentially negative course of action by "those trusted".
> *Confidence* exists when the party trusted is able to empathize with (know of) your interests, is competent to act on that knowledge, and will go to considerable lengths to keep its word.
> (La Porte and Metlay 1996, p. 342; italics in original)

Their statement is also a strong argument that if other people's interests are encapsulated in the operation of social, political and economic institutions, increased levels of trust may emerge. This is due to social mechanisms that are generally at work in daily interactions. At the same time, the operation of these social mechanisms is dynamic, open to external influences and relies on subtending institutions, which in some cases leads to optimal outcomes and in others to sub-optimal ones. Kenneth Binmore and Partha Dasgupta report: 'It is a major and fundamental error to take it for granted that because certain cooperative behaviour will benefit every individual in a group, rational individuals will adopt this behaviour' (Binmore and Dasgupta 1986, p. 24). From this follows, so argues Diego Gambetta, 'that even if people's motives are not unquestioningly egoistic, cooperation may still encounter many obstacles' (Gambetta 1988a, p. 216). 'Thus', so he goes on, 'the outcome converges on a sub-optimal equilibrium, even *if* both players might have been *conditionally*

predisposed to cooperate' (ibid.; italics in original). Given this, his conclusion to which I fully agree is intelligible and compelling enough:

> '[T]he problem, therefore, is essentially one of communication: even if people have perfectly adequate motives for cooperation they still need to know about each other's motives and to trust each other, or at least the effectiveness of their motives. It is necessary not only to trust others before acting cooperatively, but also to believe that one is trusted *by* others.'
> (ibid.).

To sum up, all the central notions that have been discussed so far may by now certainly be understood to inhere in some sort of fluctuating interrelation or interdependency between institutional quality and social, political and economic systems. Niklas Luhmann concludes that this circumstance may be assumed to entail a variety of everyday social implications conditioned by the actual context:

> 'Belonging to the same family of self-assurances, familiarity, confidence, and trust seem to depend on each other and are, at the same time, capable of replacing each other to a certain extent...Hence, we have to assume a complicated relation between dependence and replacement that depends itself on further conditions. These conditions are not given a priori but change in the course of social evolution, and this affects the extent to which familiarity, confidence and trust become variously important in social life.
> (Luhmann, p 101, in Gambetta 1988)

(3.7) Differences between Institutional Quality and Trust

In accord with La Porte and Metlay, institutional quality can be construed in terms of trustworthiness. They write:

> *Trustworthiness* is a combination of trust and confidence.
> So when we say that an organization has lost public trust and confidence, we mean that many members of the public and stakeholder groups believe that the organization (and its contractors) neither intends to take their interest into account nor would it have the competence/capability to act effectively even if it tried to do so.'
> (La Porte and Metlay 1996, p. 342; italics in original)

Nancy Potter, examining the concepts of trust and trustworthiness, indicates that institutional quality rests on micro-level social processes (Potter 2002). This also allows for the differentiation of institutional quality from the quality of social, political and economic systems as macro-level phenomena, since they entail collective action. In other words, the level of being trustworthy can be expected to be reciprocally interrelated with institutional quality that bridges between micro-level and macro-level social processes and mechanisms[59].Thus, with regards to the pertinency of elevated trust-levels positive social, political and economic consequences would predominate the more trustworthiness of subtending institutions could effectively be presumed. However, from this does not follows that straightforward interlocking between micro- and macro-level processes exists. Jack Barbalet states on this:

[59] 'The apparent paradox of this last statement', so Jack Barbalet writes, 'derives from a linguistic slide in which the word 'trust' refers to both the precariousness of relying on another and the assurance felt by the recipient of such reliance. (Barbalet 2006, p. 8)

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> 'The apparent basis on which trust is given is necessarily various, including, for instance, the other's reputation, appearance, past performance, expert qualification or certification, as well as situational rule governance, availability of negative sanctions and so on'
> (Barbalet 2006, p. 9)

Yet, based on Russell Hardin's work, institutional quality can be expected to have both micro-level and macro-level effects. He singles out three modal levels of trustworthiness that in relation to the quality of institutions can be labelled 'incentive based', 'normatively based' and 'psychologically based' (Hardin 2006, p. 56 and elsewhere). More specifically, from this perspective, institutional quality can be considered to subsume generalized trust as a psychological disposition, especially since Hardin comments that 'few if any explanations other than the definitional, virtually tautological explanation that those who are trustworthy out of moral or character commitments will be trustworthy' (ibid., p. 26) exist. Moreover, due to the fact that it may be very hard to identify every single agent's individual commitments and dispositions the empirical application for theories based on these micro-level concepts may be rather limited in scope, as 'A will trust B but not with respect to every possible X' (ibid., p. 26). On the other hand, he philosophically corroborates the interrelation of trust as a micro-level phenomenon and trustworthiness as a macro-level property of institutions offers many explanations: '[w]e can generalize the concern with interests to virtually everyone (except those who are psychologically odd or those who have exceedingly short time horizons). Hence, we can reach fairly general conclusions about people whom we do not even know very well. We may miss important details but we will typically get the main story.' (ibid., p. 26). Hardin's argument is based on the premise that micro-level personal incentives and the macro-level formation of social groups happens is mediated by means of interests, as

already other theorists (e.g. Raab 1965, Gunn 1969, Hirschmann 1977) have pointed out before him. Also David Hume attests this:

> 'When each individual perceives the same sense of interest in all his fellows, he immediately performs his part of any contract, as being assure'd that they will not be wanting in theirs. All of them, by concert enter into a scheme of actions, calculated for common benefit, and agree to be true to their words; nor is there anything requisite to form this concert or connection, but that every one have a sense of interest in the faithful fulfilling of engagements, and express that sense to other members of the society. This immediately causes the interest to operate upon them and interest is the *first* obligation to the performance of promises.'
> (Hume 1978, p. 523; italics in original)

It may have been thoughts as these that prompted Diego Gambetta to conclude:

> 'The importance of interest is twofold: it can be seen to govern action independently of a given level of trust, but it can also act on trust itself by making behaviour more predictable. The former applies when we consider trust – in the sense of a given value *p* of the probability – as an assessment prior to an assessment of other people's interests, while for the latter to hold there has to be some degree of information about the interest of others.'
> (Gambetta 1988a, p. 222)

This significance of a trustworthiness predicated on shared relevant information with regards to social, political and economic institutional frameworks points out to the importance of communication, as Gambetta concludes. James Coleman also argues that 'the more extensive the communication between the trustor and the other actors from whom the trustee can expect to receive placement of trust in the future, the more trustworthy the trustee will be.' (Coleman 1994, p. 108). Therefore, the more relevant information about social, political

and economic institutions is made available, the higher is the potential for their trustworthiness to get increased. Such a setting thus enhances trust-levels. This in turn can be expected to encourage positive outcomes. Qianhong Fu confirms: 'Personal trust makes information exchange easier, facilitates a quicker adaptation to the environment, and contributes positively to cooperation.' (Fu 2004, p. 30-31).[60] Although one has to be careful of not 'blurring of individual and institutional problems', as Hardin writes at one place (Hardin 1992, p. 158), it is still the case that '[w]hen we try to understand collectivities and institutions, often we can start from analogies to individuals' (Hardin 2004, p. 30).

(3.8) Micro- and Macro-Level Mechanisms of Institutional Quality

As Barbara Misztal has argued on several occasions (e.g. 1996), macro-level social, political and economic institutions are interrelated with micro-level mechanisms of human action. Without trust everyday life - which we take for granted - would become impossible. This finds support in Harold Garfinkel's studies (1963) where individuals presented with grounds for not trusting their sense of social reality have shown signs of malfunctioning. This indicates that micro-level mechanisms play an essential role in the functioning of macro-level institutional frameworks in everyday interpersonal activities.[61] Given that micro-level

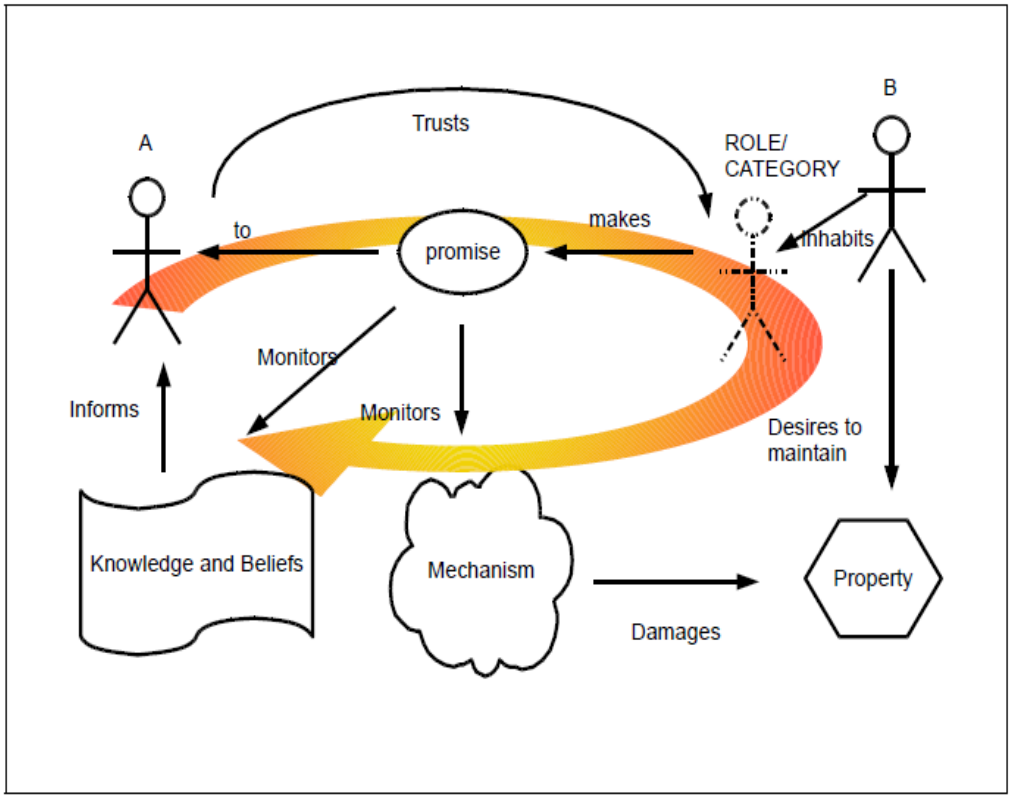
[60] With regards to the discussed relationship of trust and social capital Paul Adler and Seok-Woo Kwon argue that within an institutionalized framework that helps to shape network structure and influences norms and beliefs it is of little importance whether trust is seen as a pre-condition or a product of it. Instead, so they conclude, the two phenomena must be understood as reinforcing one another (Adler and Kwon 2000).

[61] This corresponds to Emile Durkheim's position that: 'If we must proceed only at a second stage to the determination of the function, it is none the less necessary for the complete explanation of the phenomenon.' (Durkheim 1982, p. 124).

phenomena, such as trust, must be regarded as 'negotiated, internally reflexive and possibly idiosyncratic', since there is an inherent 'hermeneutic element of trust that frustrates construction of a purely formal account of it' (Barbalet 2006, p. 15), macro-level indirect indicators measuring its specific aspects can be expected to be appropriate for its empirical studies that use sociological operationalizations of respective social, political and economic phenomena.[62] In this regard, William Thomas Harwood proposes a comprehensive diagram depicting the general mechanisms and interdependencies of situations that involve trust. Schematizing and upgrading the Classical Trust Model with the components of role trust and categorical trust, he draws his Swift Trust Model as follows:

In this respect, I would like to point out that Martin Endress, referring to a sociological essay from Guido Möllering (2001), mentions that, on the one hand, an excessively functional concept formation (as other theorists may predominantly apply, e.g. Luhmann in taking trust as a cognitive-functional mechanism for complexity-reduction, Coleman in carving out the risk-diminishing character with regards to new opportunities, Sztompka in ascribing a future-oriented function to it or Parsons and Misztal in talking of its function as a means to establish order) and, on the other hand, a differentiation between personal and institutional trust as well as system-trust may harbor the danger of reification of such concept formation. According to Endress, in order to be able to avoid this trap it always needs to be questioned whether 1.) an excessive bias for a fixation in the present ('presenteeism') exists, 2.) one single aspect of the term is taken for the whole phenomenon, or 3.) a consensualistic utilization of a social understanding is at hand. Such reification, so Endress points out, omits essential phenomenological aspects and carries with it the propensity to characterize trust as a reflective (preceding) activity, reducing the phenomenon to a single dimension of (exclusively) economic meaning. (Endress 2002, p. 48-9).

[62] Although, as Claus Offe argues, trust and its social scope can either partly be observed and measured in negative behavioural terms - a person does not engage in certain types of activity - as well as in positive terms – the preparedness, frequency and duration of relations entered into - (Offe in Warren1999, p. 46-47), there is, however, no perfect calculus available to do this on the micro level.



The Swift Trust Model (Harwood 2012, p. 53)

With his model Harwood confirms that trusting relations are essentially made up of macro-level and micro-level components. He writes: '[F]or classical trust this belief is built form experience of the past behaviour of the individual and an understanding of their motivations' (ibid., p. 52). Thus, there is, on the one hand, the specific knowledge the truster has about the trusted institutions which works as a basis for the assessment of their trustworthiness and, on the other hand, the degree of knowledge of the trusted instititions motivation 'to maintain a chosen property' (ibid.). As also Harwood ponders, a supportive institutional framework may be additionally required to maintain high trust levels. Moreover, he also mentions social mechanisms exerting influence in micro-level processes, such as the role of trust and toleration in personal relations. Conversely, a lack of specific information may undermine the

trusting attitude of individuals towards institutions. Altogether, the truster's belief about another person or an institution will get updated or revised as a result of fulfilment or failure of obligations, leading her to take different decisions of whether to interact or not in the future, a circumstance which not only impacts on the trusted party in particular but on all other potential collaborations in general.

We all know very well that there are also more indirect ways how we obtain and update our trust towards others. As broached previously, we all are socially embedded in a mesh of relationships which means that we are also given information by, what Harwood calls, 'intermediaries' (ibid., p. 54) from our surroundings about the past behaviour and the possible motivations of an agent. These referrals from our network may induce as well as fasten or dissolve our belief in individuals and institutions. Unfortunately and as Harwood acknowledges, two unsatisfactory situations may arise with information we receive from such third parties. Firstly, the information may be incomplete or inconsistent or, even more unpleasantly, the source may not be trustworthy. Situations as these may, however, be resolved (at least partly) by cross-referencing all the gathered information in order 'to synthesise the most plausible picture of the situation from the information I have received given the relative trustworthiness of the sources' (ibid.). Furthermore, and as a second difficulty, it is the case that third party referrals about the level of trustworthiness may not only indicate the informant's own belief but it may carry with it beliefs of again other parties. So, in order to trust someone in such circumstances I need not only to believe in the individual (uni- or bidirectional) trusting relationships (as in transitive trust), yet I need to accept the logic that A is a (good-enough) referee for B who is a (good-enough) referee for

C's trustworthiness and intentions[63]. Such indirectly induced trust is also people's most expedient way in assessing trust in institutions. Predominantly, they are instances of situations in which one may not resort to direct experience with a institutional representative or in which one seeks to complement knowledge. Social scientists like Debra Meyerson, Karl Weick and Roderick Kramer, who researched into trust in dynamic formation and dissolution of, what they call, 'temporary systems' (Meyerson et al. in Kramer and Tyler 1996) suggest that 'swift trust' does represent a solution when classical mutual trust is missing. In today's fast-changing environment, more and more individuals find themselves interacting as parts of social, political and economic systems, types of which include platforms and frameworks of institutional and social organisations as well as the business environment. In Harwood's graph from above this circumstance is made allowance for by B inhabiting a role or category. Where 'role' bears on the function that members play within a group, 'category' refers to social categorisation performed by the individual of a group. Role holders are trusted to the amount that they do not violate the rules of their role, members of categories are trusted to the extent that they do not fail 'stereotyped' expectations. Harwood thus concludes that role and category assignment mechanisms 'can extend trust to individuals in particular roles and categories because of the motivations associated with role and category' (Harwood 2012, p. 53). In an institutional framework, such a conclusion may be drawn with regards to institutional agents that act on behalf of respective social, political or economic institutions. Consequently, many sociologists including Harwood or Meyerson et al. argue that the level of institutional functioning is likely to represent underlying trusting behaviour, since an institutional framework based on trust is well apt to foster high performance and vice versa.

[63] In the case where and according to the degree that I may distrust A, her distrust on B gets wiped out, which however does not mean that B is automatically (or by a reciprocally proportional degree) trusted, but only that A's opinion is depreciated by my amount of distrust in her or cancelled.

In this context, William Harwood also indicates that risk-management and trust can be considered as complimentary macro-level and micro-level components of social mechanisms that are interrelated with institutional quality. Applying one's idiosyncratic degree of trust as opposed to one's individual aversion towards risk(s) in specific situations must, according to Harwood, be understood as subjective probability (cf. also Gambetta's wording above, from Gambetta 1988a, p. 217). He asserts:

> 'The subjective probability theory of trust gives us a decision criterion for when we may regard it as profitable over repeated events to trust, but does not contribute in any way to reducing uncertainty or removing the paralyzing anxiety that stops us from acting in non-repeated events. The solution to reducing uncertainty is additional information.'
> (Harwood 2012, p. 42).

From this follows, so he argues affirming the interdependency of macro-level phenomena and micro-level processes mentioned above:

> 'Subjective probability re-enters the picture as an assessment of the trustor's confidence in the supposed motivation of the trustee. That is, it re-enters the picture as the specific process of evaluating the evidence associated with a particular explanation of why the trustee is trustworthy.'
> (ibid., p. 53)

In this context, William Thomas Harwood reiterates: 'The judgement of trustworthiness is based upon specific knowledge of, and beliefs about, an individual. Part of this is knowledge of past behaviour and beliefs about the motivations for that behaviour.' (ibid., p. 52). Thus, (the degree of) knowledge amounts to the essential factor in the whole scheme, be it knowledge of other's behaviours or social, political and economic institutions.

Of course, what it also needs in support of such mechanism to work is confidence in respective systems or 'system trust' (ibid.). What need to be elicited at this point, however, are insights into the ways and means by which the quality of knowledge of behaviour and motivations gets pertinently assessed. The constellation of a relationship based on trust can, most elementary, be presented as an action consisting of three parts: A trusts B to do X (e.g. in Hardin 2006, also Hardin in Braithwaite and Levi 1998). As already this rudimentary formula exposes, situations arise where personal incentives are clearly benefitting from relationships based on mutually encapsulating each other's interests: the more I have good grounds to assume that my counterpart will not defect, the more I tend to cooperate myself. In what follows I will try and illustrate this circumstance.

With regards to the basis for the motives of whether to trust or not, a generalization by Martin Endress helps. According to him the motives fall back on an issue with multiple layers: a social, a factual and a temporal one.[64] The question that can thus be asked is '*whom* do I trust with regards to *what* and for *how long*?' (Endress 2002, p. 80; my translation). Thus, an agent who displays a trusting behaviour tries to compensate for the uncertainties sprawling in three different dimensions: the level (*how much* do I trust), the extension (with *respect to what* do I trust) and the protraction (*how long* does this particular trusting behaviour last - or even - when might it wane). These thoughts bring us closer to the essence of the question 'what humans do when they trust', or, spelled out in the words of Claus Offe: 'If it cannot be

[64] In this respect, Endress may be understood to cover all essential components as they are individually treated by Luhmann (complexity-reduction), Coleman (risk-diminishing mode of orientation), Sztompka (future-oriented) as well as Parsons and Misztal (principle for a stable order) (cf. footnote 62 above).

an investment calculus[65], what is it that leaves people to extend and allocate, or withhold and withdraw, trust, what are the criteria they employ in doing so?' (Offe in Warren 1999, p. 49).

Offe's own answer to why trust is *typically* being allocated to other individuals he calls 'experiental trust' (ibid., p. 50), cases where trusting levels come about through continued interaction. However, with regards to the weak spots that have been discussed in this context, if Offe limited himself to this motive it would neither form a substantial nor an integral basis from which agents do derive their trusting attitude. Besides, such a view would, on the one hand, disregard initial allocations of trust, cases of non-iterated prisoner's dilemma, while, on the other hand, trusting attitudes based purely on experience may not necessarily consolidate, that is they need not become self-reinforcing. Offe thus comments on two further intentions why the truster may allocate trust, 1) based on moral obligation, and 2) based on consideration of the trusted's interest(s). Where in the first case some moral force may be the binding and strengthening element for not disappointing the truster, it is in the second case the trusted's strong incentives which apart from positive ones may also cover negative ones, like the unwanted losses of credibility. Of course, either reason may be accompanied by the other in many situations. However, and as Russell Hardin (amongst others) has pointed out above with regards to the evaluation of trustworthiness through normatively and psychologically based conceptions, reasons to trust relying on moral force are rather insecure and unreliable. Moreover, obligations may easily be used strategically, e.g. when a trusted only pretends to be morally bound yet has the aim to take advantage of the

[65] With 'investment calculus' Offe targets at the difference between risk and trust again, saying that 'the truster is unable to make sure for certain that the trusted person(s) will actually act in the way the truster expects them to act. The means by which he might be able to make this sure – coercive power, economic resources to be employed as incentives, and validated knowledge…- are not at the disposal of the truster.' (Offe in Warren 1999, p. 47-8)

truster in order to defect later on with a profit. Another inexpedient situation emerges when the trusted (mis)conceives the truster's trust-building intentions based on moral obligations as instrumentally motivated. Similarly to the earlier addressed cases where an agent *demands* trust from another, the effort in such cases of exploitation is typically counter-productive as the trusted, once she discovers the intent, stops feeling obligated. As other normative rules, morality also has the flaw that it *postulates* an obligation to comply rather than necessarily *causes* a person or institution to perform.

There are two auspicious vantage points when it comes to the encapsulated interest as a basis for allocating trust. It concerns the building of a trust relationship with persons or institutions as well as its inherent self-stabilizing mechanism. It is particularly with regards to the cementing feature of the predictability of (at least potentially) repeating events that, as Claus Offe describes, 'can virtually "trap" the trustee into a behavioural pattern of complying with the expectations of the truster'. (ibid., p. 50). As mentioned, the encapsulated interest account aims to explain the behaviour of an actor as a result of her interests, which essentially are micro-level concerns and motivations.[66] To be more precise however, according to such an account the level of trust does not depend on interests as such but on whether interests of individuals and institutions are encapsulated. This means that the more institutions take individual interests into account in their actions, the more it can be expect that high levels of trust will exist[67]. The micro-level mechanism for the 'trap' of self-stabilization is that, as Russell Hardin argues, 'the potentially trusted person has an interest in maintaining a relationship with the truster, an interest that gives the potentially trusted person an incentive to

[66] It seems rather safe to assume that Piotr Cofta would include a person's interests for continuity and competence as valuable evidences of central concern, too.

[67] Whenever interests happen to 'incidentially' coincide, so Hardin specifies, we may - strictly speaking - not talk of instances of encapsulating one another's interest. (Hardin 2006, p. 20).

be trustworthy' (Hardin 2006, p. 17). He goes on, 'Even if we do not directly have a relationship, I might encapsulate your interests to some extent in my own because I value my reputation in dealings with others.' (ibid., p. 19). In other words, institutions as macro-level phenomena can be expected to be closely interrelated with micro-level processes via the assessment of their likely actions in certain situations that individuals form based on their record of interaction with these, as Piotr Sztompka argues (1999, p. 71). Moreover, the macro-level performance of social, political and economic institutions can be expected to be reflected in their micro-level reputations, as Russell Hardin argues:

> 'Reputation does have these qualities, but its great importance in social life is *the incentive it gives the person who has a good reputation to behave in way that sustain that reputation*. Reputational effects therefore extend the encapsulated interest model to indirect relationships. Your good reputation encourages others to choose you for various cooperative ventures that would be in your interest.'
> (Hardin 2006, p. 24; italics in original)

All the while, Hardin goes on specifying that

> '...the encapsulated interest account of trust is a rational expectations account in which the expectations depend on the *reasons* for believing that the trusted person will fulfil the trust. The typical reason is that the relationship is ongoing in some sense and that the trusted would like for it to continue. This is the unifying element for encapsulated interests: the desire for the relationship to continue – for whatever reason, from merely financial interests, to deeper emotional ties, to reputational effects on other relationships.'
> (ibid., p. 31; italics in original).

In this last statement, Hardin indicates how micro-level social mechanisms, e.g., interest encapsulation, can have macro-scale implications for institutional quality, such as in the

political arena. The institutional effects of these mechanisms are also likely to lead to a positive interrelationship between institutional quality and the performance of social, political and economic systems, such as in cases where high levels of trusting attitude are interrelated with high levels of interest encapsulation by respective macro-level institutions considered reliable on the micro-level of individuals.

This also holds since institutional quality is reciprocally related to micro-level social processed not only via iterated relations, but also through haphazard situations, which demonstrates the necessity to distinguish between the micro-level social processes and macro-level phenomena, due to their relative autonomy, as Claus Offe discusses in relation to the reasons why (and how) persons 'extend and allocate...trust' (Offe in Warren 1999, p. 49). This also accounts for Shmuel Eisenstadt's proposition that limits exist for the 'effective extension of the range of...trust beyond the narrow minimal scope of primordial units' (Eisenstadt 1995b, p. 366-67). As he puts it: 'The conditions that make for the maintenance of trust are best met in relatively limited ranges of social activities and interaction such as the family or kinship groups in which social interaction is regulated according to primordial and particularistic criteria' (ibid., p. 312-13). From this follows that there exist neither universal reasons to assume nor comprehensive micro-level tests for estimating the outcomes of interaction with every other person or institution, especially when a repetition of interaction cannot be anticipated.[68] Nevertheless, with respect to the macro-level construct of institutional quality, it can be said to have significant micro-level effects, e.g., trustworthy institutions eliciting high levels of trust. However, this differs from arguing that generalized trust can be

[68] As Claus Offe notes: 'the problem of bridging anonymity is comparatively smaller at the elite level, i.e. in the horizontal relationship between and within sectoral elites. These actors will usually have the opportunity to form and test beliefs about each other, and they have an interest in doing so as they anticipate their relations to be of a relatively lasting nature.' (Offe in Warren 1999, p. 60).

assessed or assumed to exist on the macro-level, since the social mechanism of the mutual encapsulation of interests does not exhaust the range of micro-level processes that subtend the interrelationship between institutional quality and the performance levels of social, political and economic systems. Furthermore, these systems exist in relative autonomy from micro-level mechanisms with which they interact, which demands investigation into their specific causal mechanisms that relate institutional quality to performance levels of social, political and economic systems, such as in regard to press freedom, democratization and globalization. For this reason, institutional quality can be considered as an independent factor that affects the functioning of social, political and economic systems, despite the theorized positive interrelationship between them. Thus, as Russell Hardin indicates, generalized trust can be approached as a micro-level correlate of the expected performance or behaviour of either individual or institutional agents:

> 'Many, maybe even most, claims for generalized trust can readily be restated as claims that, in contexts in which trust generally pays off, it makes sense to risk entering into exchanges even with those whom one cannot claim to trust in the encapsulated interest sense....This is not a claim that one trusts those others, but only that one has relatively optimistic expectations of being able to build successful relationships with certain, perhaps numerous, others (although surely not with just anyone). Hence generalized trust seems likely to be nothing more than an optimistic assessment of trustworthiness...'[69]

[69] As in relation to institutional quality as a macro-level construct, both low and high levels of trust as a micro-level construct are argued by Russell Hardin to be relatively autonomous from, but interrelated with social environment, since although generalized trust may make little sense, *group-generalized distrust* may in many context rationally make sense in cases where 'distrust is defined by the belief that members of the other groups and their representatives are hostile to one's interests.' (ibid., p. 126) . He develops this argument to claim that such 'statistical doubt can trump relational considerations and can block the initial risk-taking' and 'excluding certain stereotypes…very systematically on the basis of ethnicity or race becomes pervasively destructive of community relations. (ibid., p. 127-28). What importantly follows from this is that as much as encapsulating other's interests fosters trust levels, interests that are (known of) not being encapsulated have the power to diminish trust significantly.

(Hardin 2006, p. 125-26)

In this respect, trust can be said to be positively and significantly related to institutional quality, such as based on encapsulating the interests of others, despite their embedding into micro-level and macro-level mechanisms that respectively generate these phenomena, which ensuring their autonomous existence. Jack Barbalet supports this perspective that separates the macro and micro levels of social reality in the following way:

> 'If trustworthiness were the efficacious condition of trust, then trust would not be the problem it is. Trust cannot be characterized in terms of its present conditions, including the qualities of others, but only in terms of the truster giver's expectations of the other's future behaviour. Claims to trustworthiness are part of the context in which trust is given, not its basis.'
> (Barbalet 2006, p. 9)

In other words and as already broached to some extent, Barbalet argues that although institutional quality as the trustworthiness of institutions co-determines the context in which trust is given it can hardly be accounted for with reference to micro-level social processes, due to its interrelations with social, political and economic systems. Furthermore, on the micro level, trust can be additionally affected by other individual-level factors, such as beliefs, impressions and experiences, as decisive elements for the subjective allocation of trust. Therefore, institutional quality needs to be differentiated from country- or society-level characteristics of individual-level trust, especially since trust-related dispositions or assessment are formed in a pre-reflexive manner. Thus, Barbalet reinforces the previous conclusion that interest encapsulation as delineated by Hardin is one micro-level mechanism from which institutional quality arises among others. Additionally, institutions can also

incorporate the interests of individual and collective stakeholders on the macro-level of their operation, whereas micro-level agents translate institutional quality into their perceptions of trustworthiness as a factor affecting individual-level beliefs and motives for action. As a micro-level phenomenon trust emerges from processes related to the 'expectations of the other's future behaviour'. From this Hardin comes to conclude that 'I trust someone if I have reason to believe it will be in that person's interest to be trustworthy in the relevant way at the relevant time.' (Hardin 2006, p. 19). Thus, trust can be considered as determined by macro-level mechanisms, as he also argues: 'If you come to see me as trustworthy in some context, then virtually by definition you have come to trust me.' (ibid., p. 32). In other words, it can be concluded that on the micro-level trust may get built and maintained by evaluating a person, an institution and a situation by different ways or means, whereas on the macro level this interrelation can be formulated as a positive interrelationship between institutional quality and social, political and economic arguments, since it speaks for itself that the more an institutional agent is regarded to be trustworthy in Hardin's sense the more the individual-level trust increases[70]. Conversely, a decreasing level of institutional trustworthiness can also be expected to be associated with to the declining levels of micro-level trust in institutions and their performance. Russell Hardin confirms that 'trust could only make sense in dealings with those who are or who could be induced to be trustworthy. To trust the untrustworthy can be disastrous' (Hardin 2006, p. 27)[71].

[70] At the same time, some theorists, of which Piotr Sztompka is one, focusing on 'trust culture' in their work (Sztompka 1999, p. 99-101 and elsewhere) may make an insufficient distinction between the micro- and macro-level mechanisms that affect trust levels.

[71] Yet again, also Hardin agrees: 'To say that trust would be good when others are trustworthy is not, however, to say that it would be good in general.' (ibid.)

As a consequence from this discussion and following Hardin's line of thinking, country-level institutional quality can be expected to affect individual-level generalized trust, institutional functioning, and the performance of social, political and economic performance as empirically measurable constructs. In this connection, he states: 'The only thing that can meaningfully force me to trust someone is *evidence* that they are likely to be trustworthy toward me in the relevant context' (ibid., p. 34; my italics). In other words, institutional quality can be approached as a macro-level indicator for individual-level generalized trust, which demands avoiding a conflation between macro-level and micro-level processes, due to their dissimilar underlying mechanisms and corresponding effects.[72] Furthermore, the positive interrelationship between institutional quality and the performance of political, social and economic systems can also be said to be reciprocal, since negative effects resulting from the loss of institutions' trustworthiness have the tendency to spill over to social, economic and political affairs too: the more institutional agents lose their trustworthiness the less individuals will tend to trust and cooperate with them and the less the performance levels of the corresponding institutions will be.[73]

[72] In this regard Hardin asserts: 'One of the things that becomes clear once the individual-level problem is understood is that trust in government cannot mean the same thing as trust in a friend or relative or other person. Trust in government is cognitively far too demanding to be a credible issue.' (ibid., p. 41). With this thought, Hardin adds a further dimension to the discussion from earlier in my work whether it is good or even necessary to trust institutional agents or whether liberal distrust is the more appropriate attitude.

[73] While on the micro level it does not necessarily follow that a decrease in individual's trust-levels does *necessarily* - or at least instantly - result in declining prosperity, on the macro level it can be assumed that declining institutional quality is likely to lead to negative economic outcomes. As Ronald Inglehart has observed, well-being or welfare, be it with regards to individuals or groups, is seen as correlating with institutional trustworthiness to a rather high degree (e.g. Inglehart in Warren 1999, p. 88-120).

(3.9) The Effects of Institutional Quality

According to the Agency Theory (e.g. Kenneth J. Arrow 1985), social, economic and political relationships are likely to be affected by trust on the micro level and institutional quality on the macro level, since in situations in which 'one (the agent) must choose an action from a number of alternative possibilities' corresponding micro and macro mechanisms are likely to have reciprocal, but not causally identical effects, even though on both levels of causality it can be assumed that 'the action affects the welfare of both the agent and another person, the principal.' (Arrow 1985, p. 37). Consequently, in situations characterised by low levels of institutional quality, such as when unequal information is available to two interactants at one point in time (viz. the uncertainty of the principal about the agent's intentions), negative economic, political and social outcomes are likely to occur, due to the peril that the agent, the trusted, may misuse 'proprietary' or internal knowledge advantage, while disappointing the principal, the truster. Correspondingly, this 'Agency Dilemma' suggests that institutional quality can be expected to have interdependent micro and macro-level effects: on the one hand, individual-level strategies for the principal, on the other, structural conditions in which social, economic and political institutions operate. In other words, on the micro level the effect of low institutional quality levels can be compounded by malfunctioning institutions, while leading to a variety of individual-level reactions, e.g., reducing relations with or avoiding completely respective institutions, trying to spread engagement amongst several counterparties, and personalising relationships with institutional agents. Since these efforts represent risk minimisation strategies only, it can be said that on the micro level the effect of institutional quality is not only uni-directional, but is also mediated by individual-level mechanisms that translate institutional quality levels into

corresponding action strategies vis-à-vis social, political and economic institutions. In other words, as a macro-level phenomenon, institutional quality can hardly be affected by individual micro-level actors. This is underscored by the interrelated and autonomous nature of social structure and agency so that agents and institutions are reciprocally subtending their operation that in situations with high levels of institutional quality can warrant the emergence of social, political and economic systems based on transparent regulations, while generate high levels of trust on the level of individual and collective agents. This suggests that individual action strategies are interrelated with structural mechanisms that reciprocally modify each other in correspondence with institutional quality as reflected in the level of generalized trust that is likely to be low vis-à-vis malfunctioning institutions. [74] Especially with respect to low levels of institutional quality, their effects on the operation of social, economic and political systems can be expected to be associated with macro-level, intractable problems, such as the unequal distribution of national wealth and the non-democratic execution of political power. [75] In other words, also on the macro level, the impact of institutional quality on social, political and economic systems can be expected to be conveyed by institutional mechanisms that are dissimilar both to those through which these systems affect institutional quality levels in their own turn and to those that operate on the micro level in reaction to the performance levels of corresponding institutions, such as the individual

[74] In this respect Susan Shapiro rightly asks: 'Who guards the guardians?' (Shapiro 1987, p. 635).

[75] Piotr Sztompka in his work raises the question for the possibility of equivalent functional substitutes for trust (and the lack of it). He names 1) providentialism, 2) corruption, 3) mechanisms of control, 4) excessive litigiousness, 5) ghettoization and xenophobia, 6) paternalisation, 6) externalization (the placement of trust elsewhere) (Sztompka 1999, p. 116 ff.) However, so also he concludes, the building and maintaining of a 'culture of trust' (ibid., p. 119 ff.) remains indispensable, as these substitutes 'produce dysfunctional consequences for the wider society.' (ibid., p. 116)

withholding of trust toward perfunctory systems, which demands their additional specification. [76]

In this respect, the mechanisms that connect institutional quality and, on the macro level, the performance levels of systems, and, on the micro level, the levels of generalized trust, can, nevertheless, be theorized to be reciprocal, such as in accordance with the Rational Choice Theory that describes causal links that these mechanisms involve. Indeed, results from game studies[77] demonstrate that trust may evolve either if a game is iterative (e.g. Axelrod 1984) or if, in unrepeated interaction, a certain reputation in a social environment is at stake (e.g. Kreps 1990). However, although game theoretical approaches do deliver many helpful insights into situations where trust is generated, it is unfortunately the case that decision making and rational choice theories provide a limited account only of the causal mechanisms that subtend the effects of institutional quality on the macro and micro levels. Nevertheless, for both of these analytic levels, low levels of institutional quality can be interpreted as macro- and micro-level conditions associated with high risk levels, which is likely to have a significant effect on the decision making of institutional and individual-level agents.

[76] Three further difficulties of the Agency Theory are addressed by Kenneth Arrow. Firstly, there is the cost of specifying complex relations; most models are too simple to capture all relevant aspects of a relation. Secondly, there is the difficulty to define the (objective) means of monitoring. And thirdly, many times the applied system of sanctioning is predominantly restricted to monetary penalties, where ethics or reputational measures internalized as early as possible in the (education) process would be more appropriate. (Arrow 1985, p. 49-50)

[77] An important point made by David Good must be noted here. He writes: 'Many have argued that laboratory studies of strategic interaction are irrelevant to the investigation of human action in society...Many of the criticisms are not without substance, but they do not lead to a necessary conclusion that anything which happens in the laboratory is completely unrelated to everyday life. Real events happen in the laboratory, and subjects deal with them using resources they have brought from the outside world. To ignore this fact, and the information or suggestions which such studies can provide, is to deny oneself a valuable resource.' (Good in Gambetta 1988, p. 34, fn. 3). Moreover, Russell Hardin adds to this that although 'many experimental games are explicitly intended to block giving the first mover any information about the possible motivations of the second player' where '[i]n the real world contexts, such devices as reading another's face or actions in another context might give us information about a potential second mover' it is the case that '[e]ven in the highly restricted conditions of most game experiments ostensibly on trust, the second player does have one piece of information about the first player – whether the first player acted cooperatively.' (Hardin 2006, p. 57)

Conversely, high levels of institutional quality can be expected to lead to conditions fostering institutions' trustworthiness and trust-based individual-level strategies, due to low levels of perceived and objective risk. At the same time, also from this theoretical perspective, causal asymmetry between institutional quality and the functioning of social, political and economic systems exists, since iterated interactions and trust-based social relationships do not necessarily result in high levels of institutional quality. Although prominent theorists like James Coleman construe generalized trust as a construct related to risk levels and argue that trust is granted whenever "p G > (1 – p) L"[78], the latter algebraic expression does not account for the wider structural causal interrelations in which individual and institutional agents operate. Furthermore, on the micro level, as Peter Preisendörfer demonstrates, the estimations of "L" and "G" seem exceedingly problematic, due to its empirical complexity. Likewise, on the macro level potential gains and losses that inhere in risk calculations cannot be separated from the performance levels of relevant institutions and systems in relation to which they are made, also because alternative quantitative indicators for institutional quality and system performance exist. Furthermore, institutional quality is likely to be dependent on their structural and temporal context, such as time horizons of systemic efforts to either limit or increase generalized trust into institutions or agents (Preisendörfer 1995, p. 267-68). For this reason, as Preisendörfer suggests, also on the macro level the direct estimation of institutional quality and its effects can be problematic, similar to the difficulties with evaluating "p" (ibid., p. 268). On both the micro and the macro level, to gather ex-ante information about the trustworthiness of individuals and institutions respectively is likely to be challenging, due to empirical estimation limitations and multiple system performance indicators.

[78] In this formula "p" stands for the 'chance of receiving gain (the probability that the trustee is trustworthy)', "L" for 'potential loss (if trustee is untrustworthy)', "G" for 'potential gain (if trustee is trustworthy)' (Coleman 1994, p. 99); thus "1-p" signifies the probability of a breach of trust.

At the same time, Russell Hardin's findings from his encapsulated interest theory indicate that an agent's knowledge (the agent who tends to interact) of relevant information about the interests of a potentially trusted individual or institutional agent must be understood as contributing the individual-level generalized trust. This suggests that institutional quality creates preconditions for the operation of either macro- or micro-level mechanisms that lead to either positive or negative outcomes, Thus, on the micro level, individuals do not necessarily choose to trust rather they have either high or low levels of trust and then choose to act, which also implies that the – in hindsight right or wrong - degree of trust or distrust must be seen as based on the truster's competence to process social, political and economic information. Toshio Yamagishi and Masako Kikuchi (amongst others) call this trait 'social intelligence' - people's skills of 'understanding their own and other people's internal states and use that understanding in social relations' (Yamagishi and Kikuchi 1999, p. 155)[79]. Hardin has incorporated this competence to discern information in his account referring to it as 'expectations for the right reasons such as the sense that the trusted encapsulates our interests to some extent' (Hardin 2006, p. 33). While some may question how well social intelligence may actually help us to accurately judge the trustworthiness of potential partners, to select those individuals who encapsulate our interests in their actions. It may rather be the case that, so one prominent counter-argument goes, people with an elevated trust-level based on their social skills are more liable to be exploited, because they tend not to be sensitive enough to trust-related information for instance. Hardin touches upon this issue when he says:

[79] The diminished capability of schizophrenic or autistic people to apply social intelligence in order to adjust their levels of trust, which may be due to a deficiency to tolerate and deal with ambiguity irrespective of their cognitive or affective capability, is one example to support theories on social intelligence with results from psychological research.

'It is not trust per se, but trusting the right people that makes for successful relationships and happiness' (ibid., p. 32).

On the micro level, the terms 'high trust', 'gullibility' and 'caution' need to be disentangled. Yamagishi and Kikuchi, following Julian Rotter's influential work (e.g. 1980), define high trusters as 'people who assume that people are trustworthy unless proven otherwise' and call gullibility the 'insensitivity to information revealing untrustworthiness' (Yamagishi and Kikuchi 1999, p. 149). They thus conclude that 'trust and gullibility – that is default expectation of other people's trustworthiness in the absence of information and vigilance in processing trust-related information – are, at least logically, independent of each other.' (ibid. p. 150).[80] This logical independency is also backed by figures: studies conducted by Geller (1966), Hamsher (1968) and Wright (1972) (all also discussed in Rotter's work 1971 and 1980) provide empirical evidence for it. Also Julian Rotter has shown over a series of studies, that high trusters are not more gullible than low trusters (1980). Furthermore, Rotter's studies reveal that high trusters are more likely to respect the rights of others. However, it does not follow from this that a high level of trust necessarily means a low level of caution, as Yamagishi and Yamagishi state in their work from 1994. They found out:

> 'Most (74.5 percent) of the respondents whose level of general trust is low held a firm belief that caution is needed in dealing with others. And yet, the opposite was not true; a substantial proportion (41.3 percent) of those who showed a high level of trust also indicated a high level of caution in dealing with others. These results suggest that being prudent or cautious in dealing with others does not necessarily imply that the person is distrustful of others in general.'

[80] 'The popular view of high trusters being gullible may be derived from this difference; most people who are exploited are high trusters, since they are the ones who enter into such risky and yet potentially profitable social interactions', so Yamagishi and Kikuchi suspect. Yet, so they go on: 'What people often fail to see is the other side of the coin – benefit forgone to low trusters.' (Yamagishi and Kikuchi 1999, p. 159).

(Yamagishi and Kikuchi 1999, p. 148).[81]

Yamagishi and Kikuchi, presenting findings from more experiments done by Yamagishi and his colleagues, declare that 'trust and gullibility are in fact interrelated but in the opposite direction to popular belief' (ibid., p. 150). In several experiments – whether in scenarios where either no information, positive information, or (one or two pieces of) negative information was given to a person - that were conducted to reveal how high-level as well as low-level trusters would respond to information which may be taken as revealing the level of trustworthiness of a potentially trusted they showed that in fact 'high trusters are more vigilant in dealing with other people in socially uncertain situations' (ibid., p. 150), which indicates the independence of micro-level trust from its causes.[82] In again other experiments where a payoff matrix was added, as in the 'tiger's cave game', trying to measure how a player's trust in a partner would evolve they furthermore found confirmation for the important real-life issue that 'trust matters more in the choice of matrix size than in the cooperation/defection choice' (ibid., p. 152). In a nutshell, the results established by Yamagishi and his colleagues show that 'high trusters are more sensitive to information potentially revealing untrustworthiness of others, at least more so than low trusters' (ibid., p. 151) and also: 'High trusters were prudent against defectors throughout the experiment, and yet were willing to trust a cooperator' (ibid., p. 152). This resulted in the fact that their earnings kept increasing with every trial and more than the low truster's payoffs (ibid., p.

[81] Maybe somewhat astonishingly they have further found out that - presenting and discussing two figure charts - Americans have not really become distrustful: 'Americans are in fact becoming more apprehensive in dealing with other people, but this does not necessarily mean that they are becoming less trustful of others in the sense that they are less convinced of the goodness of human nature.' (ibid., p. 147-49)

[82] With a specifically designed additional experiment based on two conditions (an iterated Prisoners Dilemma with 48 trials together with – what they called – a 'tiger's cave game' which incorporates a payoff matrix) they repudiated the alternative explanation that high trusters were more gullible because they were taking the information provided by the experimenter as face value. (ibid., p. 150-51)

151). However, although high trusters seem to be more sensitive in detecting other people's level of trustworthiness, in order to make a point for social intelligence it also needs to be shown that their judgments of other's behaviours are more accurate. In this respect Yamagishi and his associates have also present positive findings resulting from four further experiments - cases were participants were either acquainted to each other or whether the partners were anonymous to each other. The demonstrated high trusters were 'consistently shown to be more accurate than low trusters in discerning defectors from cooperators' (ibid. p. 155), in one case (in a dyadic game with unknown partner) they were more accurate in a significant way even (e.g. 69 % in predicting the partner's behaviour) than either low trusters (43 %) or medium trusters (35%) were (ibid., p. 153). So far it may be concluded that the higher people's degree of social intelligence is the more elevated is their ability to maintain high levels of trust.[83] The benefit for society at large is that high social intelligence enables individuals to more accurately judge the trustworthiness of potential partners leading to more appropriate and thus more frequently mutually profitable interactions which in turn may support trust again, which indirectly confirms the presence of a positive interrelationship between institutional quality and micro-level generalized trust levels[84] Yet, so Russell Hardin points out, the *subjectiveness* of an ability to interpret adherent to social intelligence may appear to be a problem for the encapsulated interest account. He says*: 'What is sensible for a given individual to expect depends heavily on what that individual knows'* (Hardin 1992, p. 174; italics in original), which indicates that social mechanisms underpinning trust levels have independent existence from individual-level perceptions. With respect to political systeems, it

[83] With regards to Schütz's 'world of working' it is procedural features of humans trying to master their lives such as these which have prompted Martin Endress to conclude that 'everyday life is a knowledge-style of different speeds' (Endress in Hofmann & Offe 2001, p. 189; my translation)

[84] This point may be taken as underlining Adler and Kwon's finding (2000) on the relationship of trust and social capital, as touched upon in footnote 60 above)

is likely to be the case that the better all pertinent information is made freely available and equally distributed the better social intelligence may play out its trust-enhancing function.

Others scholars claim that there are better ways to reduce social uncertainty and thus increase trust-levels in order to promote and improve individual-level dealings of agents with each other. These theoretical approaches indicate the importance of institutional frameworks for social and economic outcomes. As Peter Kollock showed in an experiment replicating the diverse real-life characteristics of rice and rubber markets in Southeast Asia (open market between relative strangers vs. trades happening between long-term partners), social uncertainty[85] may promote commitment formation (Kollock 1994). From this perspective, opportunities are traded in for security, so that also on the micro level trust can be said to be interrelated with its institutional preconditions, since 'it reduces transaction costs on the one hand, and imposes opportunity costs on the other' (Yamagishi 1999, p. 156) in some situations, rather than in others. Conversely, trust can also serve as the preeminent means by which unsatisfactory situations predicated on the negative implications of familiarity (e.g. thick-relationships) may be resolved, as it 'emancipates people from the confines of the security of stable relations' (ibid.).[86] Evidentially, the higher the potential loss from missing out on opportunities is and the higher the social intelligence to discern the trustworthiness of potential partners is, the more the field of possible advantages opens up. In this sense, in situations with high levels of institutional quality, the higher the level of trust is the more

[85] Social uncertainty, as defined by Yamagishi and Yamagishi, exists when '(1) the interaction partner has an incentive to act in a way that imposes costs to the actor, and (2) the actor does not have sufficient information to predict if the partner does in fact act in such a way.' (Yamagishi and Kikuchi 1999, p. 155)

[86] In this context, it becomes plain how the two notions 'trust' and 'assurance' may be distinguished. According to Yamagishi and Yamagishi: 'Trust is based on the inference of the interaction partner's personal traits and intentions, whereas assurance is based on the knowledge of the incentive structure *surrounding* the relationship' (Yamagishi & Yamagishi 1994, p. 132; my italics). They argue therefore that a 'trusting person is the one who overestimates the benignity of other people's intentions beyond the level warranted by the prudent assessment of the available information' (ibid., p. 135).

beneficial results may be achieved.[87] 'Opportunity costs for staying in secure and stable relations are the major driving force for the development of such "social intelligence"' (ibid., p. 158), Yamagishi and Kikuchi conclude. They are thus inclined to predict that 'people will invest more in cognitive resources, paying more attention and more carefully processing information concerning signals of trustworthiness' (ibid.). In other words, the micro-level and macro-level effects of institutional quality, such as social cohesion under conditions of high quality levels of institutions, are likely to be interrelated with the performance levels of social, political and economic systems. Thus, high levels of institutional quality are likely to assist countries to avoid the risk of falling back into a Hobbesian state of nature, a war of all against all ('bellum omnium contra omnes'; Hobbes 1983.) with negative political, economic and social consequences.

Across different countries institutional quality is likely to vary considerably both in its levels and social, economic and political consequences[88]. Yet, it can be generally assumed that the more information about all the relevant facts and about the interests and motivations of other agents are (made) available, the more the level of uncertainty gets reduced, while increasing performance levels of institutions and agents involved.

[87] Here, Yamagishi and Kikuchi bring up the example of peasants and merchants. Where merchants, in order to expand trade to new partners face high opportunity costs, peasants, the more isolated they were, had little opportunities for - or missed hardly ever out on more favourable ones by not - dealing with outsiders. Comparable to today's as opposed to ancient environmental conditions it may thus be agreed with the writers that: 'The need of discerning the trustworthiness of new partners is much greater for merchants than for peasants, and thus investment of cognitive resources in the development of "social intelligence" is a more lucrative investment for the former than for the latter.' (ibid., p. 158)

[88] Yamagishi and Kikuchi mention the difference between the American society which exhibits higher levels of trust than the Japanese one which is based on a system of *keiretsu* (cartels or informal business groups where business relationships and shareholdings are heavily interlocked and thus often closed to outsiders and newcomers). However, results from many experiments (e.g. Yamagishi & Yamagishi 1994) reveal that though 'in contrast to Americans, Japanese feel secure within established and stable relationships' it is the case that '[w]hat characterizes Japanese society and business is in fact assurance, not trust.' (Yamagishi and Kikuchi 1999, p. 156-57)

(3.10) Causal Factors of Institutional Quality

In the field of sociology George Simmel examined, what he called, variations in sociation processes or the content of social forms. Expressing his central idea of different influences on the scope of trust, he introduced the differentiation of three different social levels of the belief's emergence. In his influential writings he distinguished between a) the dimension of the proximity of social relations, the micro-level (who to trust, happening in personal or intimate relationships without reservation), b) the dimension of 'objectified' trust concerning the influence on trust by different objects in interpersonal relations, the meso-level (what the concern of trust is, motivated by the human condition of one between knowledge and the lack of it), and c) the dimension of situations as they may convey trust (or other) by symbolic 'settings' of sociations, the macro-level (by what environmental elements trust may get shaped, incorporating basic assumptions of social life) (Simmel 1978, 1992)[89]. Simmel's key concept has guided representatives of the school of functionalists (e.g. Luhmann, Barber), emotionalists (e.g. Barbalet, Lewis and Weigert) and rationalists (e.g. Hardin, and Levi) alike by making allowance for assessing subjectivities, objectification, norms and routines without having to purely concentrate on neither rationality, nor structure, nor disposition. His approach enables the investigation in the content rather than in specific decisions under

[89] Somewhat similarly, yet from a purely functional point of view, Barbara Misztal systemizes trust as a social mechanism, outlining a typology of it by discerning its three dimension of social order. They are, according to her, stability, cohesion, and collaboration, each based on a distinct role that trust plays in life like habitus, passion and policy, respectively. (Misztal 1996). Unfortunately, she does not end up with a conceptualizing synthesis of the three dimensions in her work as Simmel does. However, I would argue that by consulting the ideas of M. Rainer Lepsius some conceptual clarification with regards to her coherent functional systemization may be procured, although Lepsius does not directly refer to Misztal's work. He identifies the guiding principle ('Leitidee'), the area of its application ('Geltungsraum') together with its norms and procedures, and the behavioural imprinting ('Verhaltensprägung') as macro, meso and micro-level respectively (Lepsius 1997, p. 285-86).

specific circumstances confined by trust and its relatives. Simmel may also be seen to have preceded Cofta's cube-theory where the building of trust is pictured as multidimensional depending on relevant content and varying greatly caused by intertwining processes. In its most elementary it allows to designate specific areas of sociation, be it with regards to proximity or duration[90] of trust relations or else. Overall, Simmel's considerations have procured sociologically important insights: the less trust works as a basis on the micro-level the more we are incapable of action, the higher the degree of trust is on the meso-level the more room for action is provided, and the higher the degree of trust is on the macro-level the more a societal system may be seen to be enduring.[91]

Nonetheless, trusting relationships may, according to Martin Endress, be seen as based on five central sources or dimensions of action: routine, condensation, professionalization, framework and strategy (Endress 2002, p. 64 ff, and elsewhere) [92]. Where routines of repeated (and reproducible) actions may account for durability, relationships may find further condensation by information-clusters about other agents.[93] Where the dimension of professionalization is based on proven expert knowledge and qualification certificates, the

[90] With regards to trust's duration (and its inherent pre-reflexive character) let me refer to Olli Lagerspetz and Lars Hertzberg who clarify taking up an argument from Ludwig Wittgenstein (1958, p. 1740) that 'the state of trusting does not have genuine duration. In other words, trust is not for the most part manifested as a particular state that occupies one's mind. The presence of trust must rather be established by looking for an overall pattern in a person's thinking and acting: a pattern in the weave of life, to apply what Wittgenstein said about grief.' (Lagerspetz and Hertzberg, forthcoming)

[91] Lynne Zucker's idea of 'process-based', 'characteristic-based' and 'institutional-based' generation of trust (Zucker 1986), as well as Niklas Luhmann's social dimension, dimension of circumstances and of time, respectively (Luhmann, 1989) have a congenial tripartition with Simmel's work in common.

[92] With regards to cooperation, Bernard Williams groups (somewhat similarly) into four basic elements that may motivate it: a) coercion, b) interests, c) values, d) personal bonds (Williams in Gambetta 1988)

[93] It may be worth re-mentioning here that a history of interactions based on mutual information or motivations must not be equated to the somewhat problematic situation inherent in 'thick relationships', the - earlier discussed - somewhat discouraging condition where interaction gets strictly confined to in-groups based on ties of (some sort of) personal familiarity, nor to situations where agents base their trust-level purely on first-hand knowledge about each other's characters and dispositions. Although both circumstances do of course have the potential to provide some sort of assurance, helping to get rid of the fear of unfamiliar situations and bring them into the realm of the familiar, they must not be misunderstood as limitations to the building of trusting relationships in routine or condensation situations (or else for that matter).

framework, as Endress understands it, results from guarantees or other forms of securities and norms, both with their earlier described weaknesses and strengths with regards to the difficulty to broach the issue of trust in the first place, for example.[94] The adjustment of trust-levels over time, a step-by-step approach for instance, is Endress's fifth source which may support trust and which he calls strategic. This dimension is supportive on many occasions of reiterated activities and thus most notably valuable for its procedural function. In 'Trust and the Cab Driver' (Henslin in Truzzi 1968) James Henslin addresses the issue of face-to-face interactions. There he illustrates how levels of trust (as well as the relative terms with a more negative connotation) are established between a cab driver and a passenger on the micro-level. As with regards to the works of Alfred Schütz or Harold Garfinkel and following the discussion of their views, the significance of Henslin's account lies in providing empiric evidence of the relation between typification and familiarity on two levels: Firstly, methodically by comparing and matching possible associations, and secondly, as to its content, giving consideration to one's familiarity with a social environment. Furthermore, Henslin exemplifies the criteria of Erving Goffman's forms of (conscious or unconscious) 'impression management' (Gofmann 1959) as well as his originary levels for the generation

[94] Either of these last two dimensions must without doubt be seen as warranted by confidence and the power of sanctions. The latter of which, at least in the case of coercion or its credible threat, may of course be a means to ensure a certain level cooperation. The logic goes along the lines that if I no longer need to distrust you by reason of your (possible) usurping intentions because there is political order that secures and sanctions, I may begin to trust you. This circumstance (to recall the earlier discussion of it) is paid heed to in a statement by Niklas Luhman's: 'Thereby it may create a *confidence* in the legal system and in positions of security which then makes it easier to place *trust* in other relations' (Luhmann in Gambetta 1988, p. 104; my italics). However, it falls way short of being a perfect instrument to foster trust, let alone, be an adequate alternative for it, as we have come to know. Moreover, it would in any case have to be understood as constituting the reason to transfer the right of control in the first place, maybe under the assumption that it will make me 'better off by accepting that authority' (Coleman 1994, p. 89).

of trust (Gofmann 1959).[95] In his article Henslin has thus not only identified the relevant basis criteria, the generally accepted indicators and signals for transmitting trustworthiness between a taxi driver and a client, he also substantiated the implicitly applied typical structures and patterns of judgement for any case on the micro-level. He distinguishes between six structural relevant elements of knowledge demonstrating that 'trust is conceptualized for our purposes as consisting of:

> 'a. The proffering of a definition of self by an actor;
> b. Such that when the audience perceives fit between the parts of the front of the actor;
> c. And accepts this definition as valid;
> d. The audience is willing, without coercion, to engage in interaction with the actor;
> e. The interaction being based on the accepted definition of the actor, and;
> f. The continuance of this interaction being dependent on the continued acceptance of this definition, or the substitution of a different definition that is also satisfactory to the audience.'
> (Henslin in Truzzi 1968, p. 140)

These elements lead Henslin to argue: 'Where an actor has offered a definition of himself and the audience is willing to interact with the actor on the basis of that definition, we are saying trust exists' (ibid.). His analysis is corroborated by Niklas Luhmann who writes: 'The development of trust and distrust depends on local milieu and personal experience'(Luhmann in Gambetta 1988, p. 103), which puts it in the intersection of macro-level and micro-level processes. [96] Henslin's paper on cab drivers illustrates the development of (mutual)

[95] In his sociological studies into face to face interactions, Goffmann already specified the originary level for the generation of trust, distinguishing between 'setting', 'personal front', 'appearance' and manner' (Goffmann 1959).

[96] It is of course also true, as Luhmann goes on: 'These conditions may be extended by television culture, for instance in the case of political leaders' (Luhmann in Gambetta 1988, p. 103).

Very interestingly, repudiating an argument by Robert Putnam (e.g. 1996) it may in this regard be noted that Eric Uslaner found evidence that there is 'no support for either a time-crunch or a "mean world" explanation

collaboration based on trust by demonstrating that the more satisfactorily a passenger meets four criteria successively the more she is to be accepted as a passenger.[97] At the same time, James Henslin offers five basis criteria of a cab driver not to trust and to refuse a passenger.[98].

More generally spoken and with regards to my work of how important micro-level trust must be taken to be, it may be inferred that, as Henslin says, 'a lack of fit between the parts of the front and the proffered definition of the performer can lead to distrust' (ibid., p. 144). However, with regards to a truster's assessment of a counterpart's appropriate 'role-obligations', as Henslin calls them (ibid., p. 140 and elsewhere), not all the variables that affect trust are easily analyzable. Many interactional cues, Henslin mentions 'sitting behaviour' (ibid., p. 150) for example, are given away in a more subtle manner or obtainable with difficulty only. Furthermore, our perceptions may sometimes also be erroneous. Still, as discusses earlier when looking at the notion of social intelligence and thus underpinning its importance, the (self-referential) concept of symbols in order to bridge the gap between the unfamiliar and the familiar - as mentioned by Niklas Luhmann - earlier becomes evident. Henslin states: 'Cab drivers, then in stereotypical ways, interpret and react to others on the basis of symbols into which they have been socialized.' (ibid.). This circumstance is not only true regarding cab drivers and their passengers. Thus, there should exist no difficulty at all

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of declining social trust and civic participation. The amount of television viewing is unrelated to either group membership or social trust.' (Uslaner 1998, p. 442)

[97] In short, these criteria are that: 1) she chooses an acceptable destination, 2) looks like being able to provide an exchange for the driver's services, 3) manifests her willingness to provide such an exchange, and 4) the exchange represents little or no risk to the driver (Henslin in Truzzi 1968, p. 141). Henslin also specifies that in contrast to criteria 2) and 3) which lead to the driver's distrust, a failure to meet criterion 1) must not be a sign of distrust although the driver will also refuse to accept the passenger.

Furthermore, the more the cab driver herself 1) chooses the most economical route, 2) refrains from aggressiveness or molestation, 3) demonstrates her ability to drive, 4) is identifiable by her registration-number ("trackability"), and 5) appears shortly after being called (ibid., p. 152 ff.), the more the required acceptable basis criteria for a mutual trusting-relation are fulfilled

[98] They are: 1) inacceptable wishes or destination, 2) appearance to be unable to give a fair exchange 3) unwillingness to pay the fare, 4) perilousness of the offered exchange and 5) recognizability of feigned motives or unacceptable purposes (Henslin 1968, p. 141-42)

relating these findings neither to the everyday world nor to political, social and economic environments:

> 'Cab drivers, as individuals who have been socialized into both "general" society (i.e. they have learned the applicable general cultural traits such as gestures), and into particular subculture (i.e. they have learned the all the nuances of a particular occupational group's speech, gestures, etc.), possess, along with other members of society, standardized ways of interpreting the interaction in which they are involved or which they witness.'
> (ibid.)

Indicating the importance of relevant information and describing the influence it may have on relationships, Judith Treas analyses how the history of interactions shapes (mutual) expectations and orientation towards a partner. Using nationally representative data from the 1984 panel of the Survey of Income and program Participation (SIPP) conducted by the U.S. Bureau of the Census with over 9000 couples having bank accounts (1984) she shows that 'segregated assets are associated with lower expectations for marital continuity' (Treas 1993, p. 723) because 'previous experiences with marital disruption...discourages pooling and encourages separate purses' (ibid., p. 732). Peter Preisendörfer (1995, p. 268-69) rounds up this discussion of how the interpersonal, micro-level of trust is formed, that is what factors may be seen to be varying its dimension. Trust in personal interactions, so he argues, must be understood as situationally, personally, structurally as well as culturally motivated. With regards to the situational influence Henslin's cab driver example and Judith Treas' studies have provided solid evidence. On trust's individual-related characteristic, Preisendörfer refers to results of experiments done by Julian Rotter who demonstrates that persons are remarkably consistent in their trusting stance over time and in very different situations (Rotter 1980). As

for structural factors, Preisendörfer cites an example by Ch. J. Choi (1994) who shows that Japanese business people seem to expose a stronger tendency to what may be called 'soft contracting', that is, contracts in Japan feature more diffuse wordings than elsewhere. And finally, so Preisendörfer says, the cultural imprint of trust is shown to be diverse by the fact that the positive answer to the rudimentarily formulated question 'Generally speaking, would you say that most people can be trusted or that you can't be too careful in dealing with people?' varies considerably even amongst Western Europeans from country to country, anywhere between 10% and 70% according to several surveys (e.g. Neolle-Neumann and Piel 1983, or Halman 1991). Based thereupon, one more circular linkage between different levels of the belief's emergence as articulated by Claus Offe may be assumed: 'These micro phenomena that result from the ongoing assessment of the likely behavior of "everyone else" are an important determinant of the macro policy options and capacities for problem solving that are available to political elites.' (Offe in Warren 1999, p. 45).

With regards to the meso-level, the dimension of interpersonal relations concerned with and reified by knowledge or the lack of it, trust's significance must be seen as one where it is issued vis-à-vis corporate partners' representatives. Peter Preisendörfer confirms this: 'Wenn einem korporativen Akteur Vertrauen geschenkt wird, dann bedeutet dies, dass ihm Ressourcen zufliessen, ihm eine gewisse Handlungsfreiheit für die Nutzung dieser Ressourcen zugestanden wird, und sich daraus neue Handlungsmöglichkeiten für ihn eröffnen.' (Preisendörfer 1995, p. 270). Such factors are as crucial in the political environment where institutions like political unions and parties, the government and many other assemblies, represented by their delegates and deputies, are involved. Thus, any political system must be able to endure even without citizens' full cooperation and (if so) without their agreement to

certain curtailment[99]. Whether or for how long a system remains accepted by the persons affected is crucial.[100] In this context the causality between trust and cooperation is often addressed, that is whether trust must be seen as precondition for or a consequence of cooperation although its importance remains unquestioned either way. Surely it is inevitable for politically active citizens to give at least a certain level of trust-credit to officials 'in spe' to begin with. Jon Elster and Karl Moene confirm this: 'Indeed, some amount of trust must be present in any complex economic system, and it is far from inconceivable that systems with a higher general level of trust could evolve.' (Elster and Moene 1988, p. 4). Then again, many theorists active in evolutionary science suggest that because they see the evolutionary origin of trust as not completely explicable (yet), cooperation may have evolved without necessarily having to be based on trust, a subject that was brought up in earlier when touching upon cooperative behaviour and trust in the animal kingdom. Robert Axelrod, for instance, argues that cooperation will evolve if the following three conditions obtain: a) parties involved cannot escape confrontation (they have a choice only as to whether they cooperate or compete), b) they know they will be locked in this situation for a long period, the end of which is unknown, and c) they have a low enough discount rate of future benefits (Axelrod 1984). However, although at the outset trust may have been the result of rather than the precondition for cooperation, it has nevertheless soon become the case that, as Bateson concludes: 'Once self-awareness had evolved, trust might then have become one of the requirements for *effective* cooperation. (Bateson in Gambetta 1988, p. 27; my italics) In this respect and in order not to initiate a vicious circle it is just as important that the initially

[99] In this respect it may also be referred to Piotr Sztompka's notion of 'trust culture' (1999) again as well as to Shmuel Eisenstadt's idea of a 'trust network' (Eisenstadt 1995a, in Hartmann und Offe 2001, p. 333-63).

[100] Such a situation of trust, or as Cofta may class it mix-trust, in representatives is often referred to as 'output affect' in political science (e.g. Easton 1965, Gamson, 1968).

offered level of trust is not misused. Martin Endress identifies five structural aspects which are of utmost relevance in political interactions that may improve such undesired situations, eventually encouraging and stabilizing trust in officials: 'competence, confidentiality, honesty, transparency and effectiveness' (Endress 2002, p. 58; my translation). He asserts that it is not only the case that these aspects may serve as a precondition to start interaction in the first place, but, so he goes on, from positive practical experiences it may even result that 'the structural division between person and function gets empirically effaced' (ibid.; my translation). This may help to explain that the more one trusts one particular representative of an institution the more one will tend to cooperate with her (e.g. one will trustfully negotiate or debate with it) even though one has little information about the institute itself. Although this does not necessarily mean that one will cooperate with an institution's representatives unknown to oneself in the same manner, (initial) situations of role and category trust offer the potential to induce and bolster up the level of trust that one issues towards other persons within the field which in turn may strengthen trust on the meso-level. Such positive experiences may even enhance one's trusting stance as well as increase the general level of trust that reigns within a collective as a whole.

Finally, on the macro-level, trust is not shaped by individuals' characters and attitudes directly but by the ways and means that agents administrate the guiding principles (e.g. justice, equality or attitude with regards to the political process) of the institution they represent, applying the proper motives and mechanisms, as well as how they have performed in facts and figures (output in terms of economic growth or welfare for instance). Although this points out to a dissimilarity between the social levels of trust's emergence from which many may conclude that the individual variations of sociation are sharply distinguishable or

that the macro-level (and maybe also the meso-level) may even be less important than the micro-level. Having said that, it must also be considered what Martin Endress emphasizes, referring to the works of Seymour Lipset and William Schneider (1987): ‘Ungeachtet der prinzipiellen Wechselwirkung zwischen allgemeinem Institutionenvertrauen und dem Vertrauen in deren Personal bleibt jedoch deren grundsätzliche Entkoppelbarkeit festzuhalten.‘ (Endress 2002, p. 60). His statement may also function as the basis for a decisive argument in order to counter an often heard dilemma brought forward by Niklas Luhmann, who says that trust seems more and more problematic in modern societies: ‘[Wir fordern] zunehmend Vertrauen für Systeme, für die man nichts fühlen kann’ (Luhmann 1989, p. 90), even though individuals are able to intelligibly differentiate between an institution, its authorized personnel and the private person. In communities where particularization has increased, the ‘standardized ways of interpreting the interaction’ (Henslin in Truzzi 1968, p. 150) may or may not, depending on the dimension and homogeneity of a collective, deliver some results with regards to judging other people’s trustworthiness. Moreover, Niklas Luhmann adds in this regard that: ‘Trust, then, needs for its reconstruction special social institutions’ (Luhmann in Gambetta, 1988, p. 94).

Christoph Moser

(4) Part Three: Institutional Quality, Functional Systems and Generalized Trust

Piotr Sztompka's work highlights the issue of trust from the perspective of 'civilizational incompetence' that addresses the limitations on the scope of societal action that may arise in 'cultural lag' (1993) situations like the ones prevailing in most post-communist ones of East-Central Europe and others finding themselves in the process of political transformation. He determines different sorts of evidence for a severe lack of trust or deep distrust in the political environment, as exemplified in the case of Poland, such as inferential indicators. Sztompka also refers to behavioural indicators (e.g., the decision to emigrate - what Albert Hirschmann calls the 'exit option' (1970), the withdrawal from participation in public life – internal exile – like electoral abstention and the reluctance to support the state in the economic domain, the amount of protest events – the voice option, concern with the immediate moment to the neglect of any deeper temporal horizon, the conspicuous spending on consumer goods to the neglect of investing or saving, the consumption of foreign goods, the eruption of gambling, the preference of private over public services). Finally, Sztompka discusses verbal indicators (the declared distrust in unconditionally approved reforms or in the political and economic situation as deteriorating, the description of the political system as being non-democratic or functioning badly, the striking negativistic bias about concrete changes and reforms, the negative assessment of the present socio-economic situation

compared with the socialistic past, the lack of prospect) (Sztompka 1999, p. 161-68). Sztompka identifies four factors as potential reasons for a dissemination of such tendencies: 1) uncertainty, insecurity, opacity, 2) inefficiency or laxity of control agencies, 3) the depletion of some forms of personal capital (e.g. pauperization or the shortening of life expectations), 4) a starting position of elevated levels of expectations and aspirations (ibid., p. 174-179). In this respect Margaret Levi asserts that 'the trustworthiness of the state influences its capacity to generate interpersonal trust'....from which she even infers, taking on the mentioned interdependency between trust and cooperation, that 'the amount of socially and economically productive cooperation in the society affects, in turn, the state's capacity to govern.' (Levi in Braithwaite and Levi 1998, p 9). Under such circumstances, so Diego Gambetta concludes, 'distrust percolates through the social ladder' (Gambetta 1988b, p. 163).

This demonstrates that the phenomenon of trust is positioned at the intersection of micro-level and macro-level processes, while being related to the interrelation between social agency and structure, as Martin Endress says:

> 'Alle genannten Aspekte stellen Orientierungsindikatoren dar für Beziehungen zu Personen oder gesellschaftlichen Einrichtungen, für eigenes Denken und Handeln im Hinblick auf oder in Abstimmung mit anderen und für den Umgang mit Dingen oder Zeichen. Sie umschreiben Momente des allgemeinen Musters alltäglicher menschlicher Weltorientierung hinsichtlich der kontinuierlich erforderlichen Transformation von Unvertrautem in Vertrautes und sie bilden empirische Voraussetzungen für die Genese von Vertrauensbeziehungen aufgrund von oder über den Aufbau von Vertrautheitskonstellationen.'
> (Endress 2002, p. 65)

This tentatively indicates that the 'indicators for orientation' with regards to the 'constellations of trust' are determined by free access to and indiscriminate distribution of the relevant information concerning all affected individuals. In such an environment agents are put in the position to mutually encapsulate each other's interests, since as James Coleman concludes, '[i]nformation will have the effect of changing one's estimate' (Coleman 1994, p. 103) of the trustworthiness of social, economic and political institutions.[101] Similar to Martin Endress, Claus Offe indicates that, '[t]rust is the cognitive premise with which individual or collective/corporate actors enter into interaction with other actors' having the additional feature that it possesses the potential 'to bridge the micro-macro-gap in social theory' (Offe in Warren 1999, p. 45). Based on his inquiry into 'what determines the supply of trust', Offe suggests that 'the qualities of the institutional and constitutional order under which "all of us" live and which engenders not just commitments pertaining to "me", but also the anticipation that others will equally be bound by these commitments' (ibid., p. 46).

(4.1) The Macro- and Micro-Level Causes of Generalized Trust

Diego Gambetta's states that generalized trust is 'one of those states that cannot be induced at will, with respect either to oneself or to others.' (Gambetta 1988a, p. 230). As Bachmann and Inkpen argue, shared 'taken-for-granted' knowledge may be positively interrelated with generalized trust (Bachmann and Inkpen 2010, p. 15). Likewise, Russell Hardin argues that 'one may slowly develop […] trust' (Hardin 1992, p. 162) as a function of favourable institutional conditions. In other words, as Hardin adds, a positive and significant

[101] In anticipation of David Good's argument, Coleman also adds that 'this importance of knowing [it] depends greatly on the other two quantities: the possible gain and the possible loss' (Coleman 1994, p. 103)

interrelationship between generalized trust and institutional conditions can be expected to exist: ’If there has been little investment during early years, far greater investment may be required in later years to compensate’ (ibid., p 163). However, according to Diego Gambetta, Hardin’s latter claim ‘does not take adequate account of our ability to act, to simulate, try out, learn, apply and codify signals and practices which may initially be predicated on unintentional states, but which should be duplicated in the ‘as if’-behaviour form far beyond their source’ (Gambetta 1988a, p. 232). This implicitly stresses the importance of the distinction between micro-level processes and macro-level structures, institutions and systems, even though trust is moulded by past and present experiences. As Diego Gambetta adds, ‘trust begins with keeping oneself open to evidence, acting as if one trusted, at least until more stable beliefs can be established on the basis of further information’ (ibid., p. 234). In other words, as Robert Axelrod suggests, the level of generalized trust depends on micro-level mechanisms:

> ‘The analysis of the data from these [Prisoner’s Dilemma] tournaments reveals four properties which tend to make a strategy [related to the generation of trust] successful: avoidance of unnecessary conflict by cooperating as long as the other player does, provocability in the face of an uncalled-for defection by the other, forgiveness after responding to a provocation, and clarity of behaviour so that the other player can recognize and adapt to your pattern of action’
> (Axelrod 1984, p.2-3)[102].

Consequentially Diego Gambetta infers from Axelrod’s findings: ’a basic predisposition to trust can be perceived and adopted as a rational pursuit even by moderately forward-looking

[102] Furthermore, Axelrod states: ‘the advice to players of the Prisoner’s Dilemma might serve as a good advice to national leaders as well: Don’t be envious, don’t be the first to defect, reciprocate both cooperation and defection, and don’t be too clever’ (Axelrod 1984, p. 8)

egoists.' (Gambetta 1988a, p. 228), which indicates that individual-level trust is likely to be affected by psychological factors.[103] For this reason, on the macro level institutional quality can serve as a correlate construct, since, as Diego Gambetta reiterates, '*economizing on trust* is not as generalizable a strategy as might first appear, and that, if it is risky to bank on trust, it is just as risky to fail to understand how it works' (Gambetta 1988a, p. 230; italics in original). Thus, macro-level factors that are likely to be significantly related to trust are best explored in terms of the interrelations between institutional quality and social, political and economic systems, as Reinhard Bachmann and Andrew Inkpen also suggest: 'Some lessons may be learned from micro-level efforts to repair trust which is meanwhile a fairly well understood area' yet 'a macro-level approach is needed and the concept of institutional-based trust seems key to developing viable strategies...' (Bachmann and Inkpen 2010, p. 4). For this reason, as Bachmann and Inkpen emphasize drawing on work by Kramer and Tyler (1996) for instance, while confirming the propositions of George Simmel regarding sociation processes, 'macro-level factors such as institutions are usually not recognized as important to the development and the quality of the relationships between two actors' (ibid.). Yet, this thesis argues that the quality of institutional[104] frameworks can be expected to be positively and significantly related to individual-level and generalized trust.

[103] As Martin Endress has pointed out above and as Robert Swinth had found out, it is generally the case that one is likely a lower truster when the stake is high then when the stake is low and one will trust on more important matters only after building up to them (Swinth 1967).

[104] Following the sociological theory of Anthony Giddens, Bachmann and Inkpen define institutions in the following way: 'According to Giddens (1984) institutions are structural arrangements represented by rules of behaviour to which individual and collective action is oriented. Institutions create social order by providing patterns of behaviour used by actors to lend meaning and legitimacy to their behaviour. They can occur in the form of explicit rules and as implicit routines and practices. Institutions appear as formal institutional arrangements if they are based on explicit rules of behavior. But they also include more context-specific informal rules, implied for example in the routines and practices of applying legal rules, teaching and learning styles, practices of financing investments, the use of industry associations' resources by their members, or the usual forms of treating vulnerable and not so vulnerable suppliers. Informal routines and practices represent, like

Similarly, David Good suggests that the more the following institutional circumstances prevail, the more elevated individual's willingness to trust will be:

> 'conditions where the long-term interests of the participants are stressed, where only small initial or additional rewards are at stake, where there is no potential for threat and great potential for successful communication in that the ambiguity of the situation is reduced, and where the participants are in free and easy contact'
> (Good in Gambetta 1988, p. 37)

Diego Gambetta supports Good's findings by stating that: 'Each of these conditions, by affecting constraints and interests, can also affect cooperation irrespective of a given level of trust, and when successful can serve to reinforce trust itself' (Gambetta 1988a, p. 230), which, however, indicates that macro-level mechanisms, such as economic and political systems, do not affect trust levels directly, but via the operation of micro- and individual-level mechanisms. Therefore, so Gambetta admits summarizing Bernard Williams' position, 'formal structures and social reality have a distressing tendency to diverge, sometimes sharply' (ibid.), which confirms this distinction between the macro and micro levels at which factors related to trust operate. However, as David Good also suggests, macro-level trust-related causal mechanisms are likely to be significantly different from those on the micro level, because, so he argues, 'unbounded cost-free rationality is rarely satisfied' (Good in Gambetta 1988, p. 37). With respect to the micro-level mechanisms that relate institutional quality to trust levels, he therefore concludes: 'The cognitive operations which underlie an individual's perceptions and beliefs....can play a significant role in the maintenance of trust' (ibid., p. 37-38).

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formal rules, very important institutional arrangements, especially when they acquire stability over a longer period of time and attain legitimacy through common acknowledgement.' (Bachmann and Inkpen 2010, p. 11).

Similarly, David Good indicates that micro-level mechanisms that are likely to affect trust levels comprise cognitive inertia and cognitive dissonance:

1. (Available) disconfirming evidence is often neither sought nor recognized (confirmation bias is an important aspect in the maintenance of prejudices)
2. Initial interpretation of social events is not fully specified by those events (point-of-view interpretations reinforce preconceptions)
3. The bias towards the preservation of a theory, the 'set effect' (or *Einstellung*) (deploying well-tried strategies even though they may not be the most appropriate) (ibid., p. 39-41)[105]

In contrast to micro-level processes, such as the interpretation of information which are largely interrelated with social, economic and political conditions, macro-level processes structurally conceptualized in terms of respective systems can be expected to be influenced by institutional quality that affects trust levels only secondarily. Thus, Bernard Williams limits individual-level dispositions to micro-level psychological factors: 'In reality...preferences are expressions of actual psychological attitudes, notably of dispositions; and a given choice, such as the choice on a given occasion whether to cooperate with another agent, will be a function of several dispositions and attitudes' (Williams in Gambetta, 1988, p. 5). Therefore, he formulates micro-level mechanisms that affect individual preferences in terms of cognitive processes: 'Preferences relevant to cooperation change, in particular under the impact of information about the reliability of different kinds of assurance.' (ibid.). Moreover, David Good asserts that individual trust levels can be expected to be affected by micro-level social processes, because 'repetition gives rise to effects which could provide further support for a level of cooperation...this could occur through the increased amount of contact and

[105] Ambiguous circumstances are of course, so David Good adds, the reason for excuses as they 'presume a variety of interpretations for any event' (Good in Gambetta, p. 41)

communication' (Good in Gambetta 1988, p. 44). Consequently, he delineates micro-level mechanisms that are likely to be interrelated with trust levels in terms of both cognitive and interaction-related factors:

1 Elimination of the negative side of depersonification
(the impact of which already Stanley Milgram has shown with his electric shock experiments in 1963)
2 Greater certainty as to the intent behind any communication
(particularly when a corresponding framework is established)
3 Contribution to a greater sense of knowing each other
(repeated interactions produce a greater sense of mutual awareness)
4 Higher mutual understanding by improving the levels of mutual knowledge
(changing even radically different sets of background assumptions which agents may or may not be aware of)
(ibid., p. 44-46)

However, on the macro level the corresponding mechanisms that affect generalized trust levels need to be formulated in terms of the interrelations between institutional quality, such as with respect to the unrestrained availability of relevant information, and social, political and economic systems. Consequently, in societies in which low levels of institutional quality exist, it can be expected that low levels of generalized trust are prevalent as well. At the same time, as Bernard Williams suggests, on the micro-level the impact of institutional quality is likely to be mediated or moderated by individual-level factors:

a) 'People are imperfectly informed, both about other people's preferences and about their assessment of probabilities.
b) Limitation a) itself may be imperfectly understood.
c) The acquisition of such knowledge may be variously impossible, expensive, and so on. One particular difficulty is that any actual process of inquiry may itself change

preferences, destroy information, raise more questions, and generally confuse the issue.

d) There is a very significant limit, for social as well as cognitive reasons, on the recursive complexity of possible calculations.'
(Williams in Gambetta 1988, p. 4)

While higher levels of institutional quality may be expected to lead to higher levels of generalized trust, specific causal mechanisms subtending this interrelation are likely to be significantly different on the micro level as opposed to the macro level. For this reason, Williams distinguishes between micro-level factors, on the one hand, and macro-level factors, on the other, as he explores causal mechanisms of trust in terms of motivation and cooperation. From the perspective of Williams, macro-level factors affect individual actors via the fear of sanctions, whereas micro-level factors operate via moral or ethical dispositions that are not purely based on reward or punishment but on a general feeling of duty or fidelity to the state or community (ibid., p. 9-12). Furthermore, Williams indicates that the causal mechanisms operative on the macro level cannot necessarily be assumed to be effective on the micro level and vice versa, especially as regards agency: '[T]here is a notorious problem of how the non-egoistic motivation is to be encouraged and legitimated, when people are constantly and professedly expressing egoistic micro-motivations in much of their life' (ibid., p. 13).

In other words, as Williams suggests, it is important to differentiate between the macro and micro levels of abstraction, because they involve dissimilar antecedents and consequences of institutional quality, such as readiness to cooperate. Thus, Williams states that 'there is no one problem of cooperation: the problem is always how a given set of people are to cooperate' (ibid.), which rules out a direct higher-order generalization of micro-level causal

factors to a macro-level of analysis. In particular, this concerns Russell Hardin's 'encapsulated interest' account, since it relates to micro-level factors. Thus, institutional quality is likely to have dissimilar effects on the micro level as opposed to the macro level. Whereas the individual-level interpretation of information is a function of cognitive processes, the degree of press freedom, as a macro-level indicator of institutional quality, is likely to be reciprocally influenced by social, political and economic systems (Good in Gambetta 1988, p. 38). Thus, while on the micro level trust may be seen as 'essentially one of [effects of] communication' as Diego Gambetta has argued above (Gambetta 1988a, p. 216), on the macro level the trustworthiness of institutions cannot necessarily be influenced via communication only. Consequently, Russell Hardin asserts that 'creating institutions that help secure trustworthiness thus helps to support or induce trust' (Hardin 1992, p. 159), which subordinates the micro level of causation to macro-level institutional processes. In other words, as Diego Gambetta states referring to thoughts of Frederick Weil on Hobbesian theories (Weil 1986), 'a decisive role of the growth of trust among political parties for building viable societies' (Gambetta 1988a, p. 215) primarily refers to the interrelations between institutional quality and social, economic and political systems.

For this reason, 'the blurring of individual and institutional problems, which is' according to Russell Hardin, 'one of the most common mistakes in all of the writing on trust' (Hardin 1992, p 158) corroborates the necessity to distinguish between the macro-level and micro-level causes of trust. Furthermore, institutional quality is likely to be interrelated with different causal mechanisms on the micro and macro level, as indicated by Claus Offe:

> 'It is the substantive quality of institutions, their capacity to make compelling sense, that determines the extent to which they are capable of promulgating the loyalties of

> those whose actions they are supposed to regulate, as well as the trust on the part of agents that this support will be widely shared by others'
> (Offe in Warren 1999, p. 69).

Likewise, micro-level trust that exists purely between individuals needs to be differentiated from macro-level trust which is often labelled 'system-trust,' as they have dissimilar underlying causal mechanisms, due to its institutional mediation in the latter case.[106]. Furthermore, for the interrelations between institutional quality and social, political and economic systems, these causal mechanisms are crucial, since, as Claus Offe illustrates: 'rules can never provide for all contingencies and emergencies' and they must thus be seen as 'incomplete and ambiguous' (ibid., p. 66) and furthermore, so he goes on, they are 'patterns of *precarious* and potentially contested cooperation' because they 'regulate in potentially strongly contested ways, the distribution of values and resources' (ibid., p. 67; italics in original). That the micro-level causal mechanisms are affected by the macro-level trust-related processes also follows from his further arguement: 'As there is the risk of violation and breakdown, there is also the need for trust in *persons* which cannot be fully substituted for by trust in institutions.' (ibid.; italics in original). In other words, so he specifies, even if it was the case that 'trust in the anonymous mechanisms of institutions was justified' it was so only by the amount that 'trust in the voluntary compliance of those actors to whom rules apply, as well as the trust in those actors who are mandated with the supervision and enforcement of these rules' was in place (ibid.). This indicates that it is the interrelation between institutional quality and political, social and economic systems that determines the level of generalized trust. Directly from this follows the incommensurability between the

[106] With regards to 'system-trust' and institutions, it must be remarked 'dass das alltägliche „vorprädikative" Vertrauen in den Gegenwartsgesellschaften in einem hohen Masse die Form institutionell *vermittelten* Vertrauens aufweist.' (Endress in Hartmann & Offe 2001, p. 167; my italics)

macro-level and micro-level mechanisms that determine trust levels, to which Claus Offe refers: 'How can I possibly develop that kind of most inclusive and highly abstract trust in the cooperative dispositions of all those to which the law addresses itself, while not knowing from personal experience, communal or quasi-communal cues or otherwise any significant number of these agents?' who must thus never 'effectively defect even in cases where they can escape formal sanctioning' (ibid.). This also demands differentiating institutional quality from individual-level trustworthiness, as Claus Offe self-reflexively articulates, 'my disposition to follow rules stands in direct proportion to my trust in these categories of agents: law-makers, executive and administrative agents.' This distinction does not, however, rule out interlinkages between macro-level and micro-level causal mechanisms of trust formation, as the respective effects of institutional quality can be expected to cohere on these levels of causation: 'I must trust that, by and large, (a) legislators do not neglect their legislative responsibilities, (b) administrators do not act opportunistically' (Offe in Warren 1999, p. 69). Since these two aspects are connected, this leads Offe to conclude that apart from the '*implied normative meaning of institutions'* it is *'the moral plausibility I assume it will have for others which allows me to trust those that are involved in the same institution'* (ibid., p. 70; italics in original). From this follows the positive interrelationship between institutional quality and political, social and economic systems that in their turn mediate the formation of trust on the micro, interpersonal level.

According to Claus Offe, 'institutions can mediate political trust by committing and enforcing upon those involved in them not *any* value or valued life form, but a *specific set* of values' (ibid., p. 73; italics in original). Thus, Offe identifies four trust-generating values through which institutions affect trust levels either positively or negatively. In this respect,

Offe provides a micro-level analysis of trust-generating mechanisms with respect to social, political and economic institutions that 'to the extent they monitor and effectively detect (intentional, as in lying, or unintentional, as in erring) violations of that norm [are likely to be considered trustworthy]. I trust anonymous others if I encounter them within a framework of institutionalized honesty and authenticity' (ibid., p. 73-75). This confirms the subordination of the micro-level trust-generating processes to their macro-level counterpart. As Offe emphasizes, 'key trust-engendering reference value[s]' (ibid., p. 73-75) may be embodied by measures such as the freedom of the press, formal and public court proceedings, orderly accounting, expert committees, independent product testing, amongst others, which further indicates that institutional quality is interrelated to trust differently on the macro level than on the micro level. According to him it thus follows: 'As long as actors are perceived to be embedded in, educated in, and constrained by truth-enforcing institutional patterns, they are more likely to be trusted than in the absence of such embeddedness' (ibid., p. 73-75). This further reinforces the proposition that macro-level trust has different causal precedents from those that micro-level trust entails.

More specifically, on the micro level, the causal mechanisms that generate individual-level trust are likely to involve '[p]romise-keeping...[as] the virtue of *honoring contracts*...the active version of truth-telling' (ibid., p. 73-75). Thus, as Offe proposes, on the micro-level the generation of trust involves individual-level processes, such as promise-keeping that is 'not about "given" facts' but about 'my own future action, thereby *making* them true' (ibid., p. 73-75). In contradistinction to this, on the macro level, institutional trust is likely to be generated by 'fairness, impartiality, and neutrality' that, as Offe explains, refer to the '[e]quality before the law and equal political participation are the standard examples of fairness as abstraction,

cognitive neutralization, and depersonalization' (ibid., p. 73-75). High levels of institutional quality can thus be expected to be associated with political, social and economic systems that are 'neutral and "colour-blind", without built-in preferences, biases, and selectivities or restrictions of access' (ibid., p. 73-75). The dissimilar causal preconditions of trust, can thus, also be expected to lead to micro-level and macro-level 'differences [in the effects that institutional quality has] – at least to the extent these differences cannot be held to be freely chosen, but structurally imposed by unequal endowments and inescapable constraints that condition an unequal distribution of life chances'(ibid., p. 73-75).

In particular, low levels of institutional quality can be expected to lead to low levels of generalized trust on the micro level, since as Offe points out: 'Persons who withdraw trust in "everyone else" do so due not to the (impossible) observation that everyone else (or, for that matter, the "political class") does in fact not deserve to be trusted, but to the perception of failure of the institutions to perform their formative and constraining role' (ibid., p. 75).[107] Moreover, it cannot be ruled out that different sets of causal mechanisms are at play when low levels of generalized trust exist, as opposed to factors that lead to high levels of individual-level and macro-level trust. Thus, low levels of institutional quality are likely to lead to low levels of individual-level trust toward public administrators, as La Porte and Metlay suggest based on a study on governmental institutions (SEAB 1993). On the micro level, La Porte and Metlay indicate that low levels of generalized trust are closely associated with the low levels of the capability of others to meet expectations, decreasing levels of decline competence and operating reliability, low levels of the motivation of others to understand and keep bargains and low levels of ability or willingness to respect the views of vulnerable parties and fulfil

107 Diego Gambetta confirms this view in his investigative work on the Mafia where he concludes that not being able to trust the state leads to not being able to trust other individuals (Gambetta 1988b, p. 163).

promises (La Porte and Metlay 1996, p. 342). At the same time, La Porte and Metlay delineate a different set of organizational-level causal factors that lead to low levels of generalized trust that comprise a mismatch in the distribution of organizational benefits and costs, the appearance very high or long lasting risks of program failure, low levels of accuracy and speed of feedback, low levels of technical, esoteric knowledge, high levels of time lags between acting and discovering its result and low levels of information accessibility concerning organizational difficulties and failures (La Porte and Metlay 1996, p. 342).

In a related manner, these researchers indicate that a different set of causal mechanisms can be expected to lead to high levels of macro- and micro-level trust, as they discuss 'steps that, if taken fully and with the appropriate spirit, will make the agency/firm *worthy* of the public's trust and confidence' (ibid., p. 346; italics in original). As these researchers suggest, causal mechanisms that are likely to lead to high levels of generalized trust include high levels of respect and regard for interacting parties, high levels of perceived mutual understanding and integrity, high levels of competence to understand the problems others face, high levels of equality in defining the terms of relationships, high willingness to maintain a positive history of relationships even if demanding challenges occur, high readiness to take the implications of actions seriously and high ability to determine unambiguously the effects of relationships (ibid., p. 343). This study thus demonstrates that in relation to generalized trust not only the macro and micro levels of analysis need to be distinguished, but also that dissimilar underlying causal mechanisms are at play when low levels as opposed to high levels of trust exist. Though Claus Offe argues that: 'A trustworthy person is someone who exposes himself (and thereby enhances his autonomy) to continuous and scrupulous examination by others' (Offe in Warren 1999, p. 56), it is, however, necessary to qualify this statement with respect

to macro- and micro-level causal mechanisms that mediate and moderate the relationship between institutional quality and generalized trust. This is presaged in the following statement by John Mill that tentatively indicates that different individual-level and macro-level causes of trust exist:

> 'In the case of a person whose judgment is really deserving of confidence, how has it become so? Because he has kept his mind open to criticism on his opinions and conduct. Because it has been his practice to listen to all that could be said against him' (Mill 1982, p. 26).

Furthermore, as suggested by Shmuel Eisenstadt, the macro-level mechanisms that can be expected to lead to the generation of generalized trust may also hinder the operation of micro-level factors that contribute to trust formation, since 'die Prozesse, die die nötigen Ressourcen für die Bildung grösserer institutioneller Strukturen erzeugen, dazu neigen, das eher innerhalb der Familie, der Verwandtschaftsgruppen und der kleinen Gemeinschaften entstehende Vertrauen zu untergraben' (Eisenstadt 1995a, in Hartmann und Offe 2001, p. 335). This also indicates both that institutional quality is likely to have dissimilar micro- and macro-level effects and that the causal factors of trust are, thus, distinctively different on the macro level as opposed to the micro level. Correspondingly, Claus Offe states that 'the parochialism of estates or the tribalism of communities, and even more so trust based upon personal interaction' do not necessarily make it possible for macro-level causal mechanisms of generalized trust to operate on the micro level, as 'this mode of generating trust is in its comparatively greater degree of generalization' (Offe in Warren 1999, p. 76). Moreover, with regard to the macro-level causal factors, Offe supports their differentiation from the micro-level factors that can be expected to be significantly interrelated with trust levels, as he

contrasts ‘anonymity, opaqueness, and non-communication’ as indicators of low trust levels from the mediating effect of ‘representative institutions, collective actors, and mass media’ (ibid., p. 60) on generalized trust levels. Therefore, as also Shmuel Eisenstadt proposes, the macro-level mechanisms of trust generation can be assumed to operate largely autonomously from those that can be found on the micro level. He writes: ‘In modernen Gesellschaften haben sich verschiedene regulative Rahmen herausgebildet...diese freiwilligen Zusammenschlüsse und Öffentlichkeiten waren es auch, die die beständige Generalisierung und den Fluss des Vertrauens aufrechterhalten konnten.‘ (Eisenstadt 1995a, in Hartmann und Offe 2001, p. 337). On top of that, he adds that on the macro level generalized trust can be expected to demonstrate high levels if the following causal mechanisms demonstrate high level of functioning, which also corresponds to high levels of institutional quality, that include ‚relative starken, aber flexible Zentren‘ that enable high levels of ‚autonomen Zugang grösserer Gesellschaftsschichten zum Zentrum‘ as well as the high functioning levels of the ‚beständige Rückkopplung zwischen „offenen“ oder vielfältigen Typen kollektiver Identität‘ (ibid., p. 357)[108]. Moreover, Eisenstadt supports the proposition that institutional quality is positively and significantly related to the functioning levels of social, political and economic systems: ‚Zu den wichtigsten Arenen zählen die zentralen Institutionen politischer Repräsentation und Organisation, wie etwa Parteien und andere politische Assoziationen, ebenso aber die Kommunikationskanäle und Diskurse, in denen die politisch relevanten Informationen fliessen‘ (ibid., p. 353).

[108] Collective learning processes during the development of a political regime - often occurring under the influence of historical contingencies - must not be disregarded as a decisive factor in the establishment of trust levels, so Shmuel Eisenstadt adds (Eisenstadt 1995a, in Hartmann und Offe 2001, p. 359).)

In this regard, it needs to be stated that the distinction between the micro-level and macro-level causal mechanisms of trust formation is not hierarchical, but analytical in correspondence to factors that operate on the level of individuals and institutions respectively, as Niklas Luhmann highlights by stating that as social, political and economic systems develop 'the predominant type of social differentiation shifts from stratification to functional differentiation' (Luhmann in Gambetta 1988, p. 102). This especially applies to highly developed countries with advanced levels of system differentiation that demand high levels of institutional quality, should high performance levels be achieved, so that on the micro level 'people are no longer placed in a fixed social setting but must have access to all functional subsystems of the society on which they simultaneously depend', whereas on the macro level 'participation in functional systems like the economy or politics is no longer a matter of personal relations' (Luhmann in Gambetta 1988, p. 102). Thus, high levels of institutional quality can be expected to lead to 'greater, quicker promise for grasping [those] opportunities' (Hardin 1992, p. 175) that social, economic and political systems provide on the macro and the micro level. High levels of institutional quality can also be expected to lead to high levels of generalized trust, since '[o]ne's trust turns not on one's own interests but on the interest of the trusted. It is encapsulated in one's judgement of those interests' (ibid., p. 153). Conversely, as Diego Gambetta indicates referring to an essay of Bernard Williams, low levels of institutional quality can be expected to lead to low levels of generalized trust, since their associated causal mechanisms are likely to hinder access to the 'knowledge of each other's interests' (Gambetta 1988a, p. 227). As further spelled out by Todd La Porte and Daniel Metlay, this especially applies to the micro level of trust formation, since an individual 'can understand another person and have confidence in his/her integrity and still be uncertain

about the degree to which he/she will take your interest into account' (La Porte and Metlay 1996, p. 346).

In other words, the interconnected configurations of factors that are likely to be significantly interrelated with generalized trust, as its causal mechanisms, can be expected to be different both in respect to the factors involved and their respective causal interlinkages on the micro and the macro level. As David Good writes, the micro-level causal mechanisms of generalized trust 'arise from an individual's cooperative behaviour, which is a major source of information in our construction of our views of other persons' (Good in Gambetta 1988, p. 33). By contrast, Russell Hardin indicates that 'we cannot trust powerful institutions, or at least the possibility of trusting them is severely undercut, especially in the encapsulated interest sense of trust, because my power dependence undermines any hope I might have to get you to reciprocally cooperate with me' (Hardin 2006, p. 152). Thus, while the actions of political agents as 'trustees' of public interests, as Claus Offe argues, 'can be observed' (Offe in Warren 1999, p. 60) and analysed in individual-level terms, their underlying causal mechanisms remain closely related to the operation of respective social, political and economic systems in the framework of which they operate. For this reason, Martin Endress indicates that high levels of functioning of these systems is likely to be interrelated to the presence of polycentric structures, interconnectedness between the different societal centres of power, legitimate arenas for the articulation and reproduction of alternative public views, autonomous chances of participation and exercise of influence of alternative positions, and, mechanisms for the articulation and integration of protests within the official political process (Endress 2002, p. 78-79, my translation). Therefore, these causal factors of generalized trust primarily operate on the macro level, as Shmuel Eisenstadt also asserts, since he indicates that

high levels of generalized trust can be expected to be promoted by the ‘autonome[m] Zugang zentraler sozialer Sektoren zur politischen Arena...[die] verstärken die interne Solidarität der wichtigsten Eliten und ihre Verpflichtung den politischen Institutionen gegenüber‘ (Eisenstadt 1995a, in Hartmann und Offe 2001, p. 358). By contrast, on the micro level, high levels of generalized trust can be hypothesized to be promoted by ‘free and reasoned agreement among equals’ (Cohen, 1989, p. 22) as proposed by Joshua Cohen (cf. earlier in this work).

Furthermore, it can also be stated that either high or low levels of generalized trust have dissimilar micro- and macro-level consequences. With regard to the macro-level effects of low generalized trust levels, Margaret Levi asserts that: ‘Distrust is a problem for democracies only when it leads to a non-productive increase of government regulations and bureaucracy as a means to build or regain trust or when it translates into noncompliance with legitimate policies or into bellicose cleavages’ (Levi in Braithwaite and Levi 1998, p. 96). She goes on: ‘Trust and distrust have their roles in democracy, and so does lack of trust in the sense of standing back and failing to trust until given sufficient evidence or reason for trusting. The healthy scepticism of citizens is a prerequisite of democracy’ (ibid). James House confirms this when he says that ‘growing distrust does not necessarily signify either a decline in the trustworthiness of particular individuals or organizations, or a deterioration of social order, social control, or solidarity and moral community. Indeed, distrust may be a force in preserving them’ (House 1985, p. 220). In other words, on the macro level the implications of low generalized trust levels are closely interrelated with the institutional characteristics of the respective political, social and economic systems in which trust-related processes occur, as House argues referring to conclusions attained by Bernard Barber (1983): ‘There is growing evidence of distrust of government and its leaders, but it is an active,

rational response to the political system's failings rather than apathetic withdrawal or malaise.' (ibid., p. 221). This indicates the importance of the distinction between the macro and the micro level of analysis not only with respect to the underlying causal mechanism of generalized trust, but also in relation to the consequences of either low or high trust levels. Yet, as La Porte and Metlay write, 'the development of the knowledge base and the requisite analytical and institutional design capacities seems a long way off' (La Porte and Metlay 1996, p. 346), which indicates the cogency of this conclusion to scholarly literature.

(4.2) Macro- and Micro-Level Consequences of Institutional Quality

In his influential work *Making Democracy Work* (1993), Robert Putnam argues that trust promotes cooperation (Putnam 1993, p. 171), which indicates that high level of generalized trust can be expected to have specific micro-level effects. Eric Uslaner agrees, while saying that high-level trust 'leads people to take active roles in their community, to behave morally, and to compromise' (Uslaner in Warren, 1999, p. 122). On the one hand, as he indicates, on the micro level, high levels of generalized trust can be expected to have individual-level effects: 'People who trust others aren't quite so ready to dismiss ideas they disagree with. When they can't get what they want, they are willing to listen to the other side.' (ibid.). At the same time, low levels of trust are also likely to have the opposite effect on the level of individuals demonstrating trust-related attitudes, characteristics and behaviours: 'It is difficult to reach compromises when people don't respect one another's viewpoints' (ibid). In other words, the causal mechanisms subtending the formation of generalized trust on the

micro level are likely to have individual-level antecedents and consequences specific to it, as David Good states investigating in the conditions of trust's durability, since 'individual's ideas become impervious to change and behaviour becomes routinized' (Good in Gambetta 1988, p. 31).

On the macro level, generalized trust can be expected to have a different set of consequences, since it is likely to be affected by the interrelations between institutional quality and political, social and economic systems. Niklas Luhmann confirms this by indicating that high levels of generalized trust can be expected to contribute to high levels of system functioning: 'A system –economic, legal, or political – requires trust as an input condition' (Luhmann in Gambetta 1988, p. 103). Yet, as he also indicates, the macro-level effects of generalized trust can be expected to be mediated by institutionalized causal mechanisms at the level of political, social and economic systems and cannot be reduced to the micro-level dynamics of trust formation, such as 'increasing diversification and particularization of familiarities and unfamiliarities' (ibid., p. 105). This is corroborated by Daniel Weinstock (1999) who claims that institutional frameworks that fall short of mitigating the micro-level negative effects of segregation - a deficit of opportunities for contact and information asymmetries as causal mechanisms - impede the development of generalized trust. In this respect, the antecedent conditions for low levels of generalized trust, such as in and out-group membership, can be expected to be different at the micro level than those at the macro level, since, as David M. Messick and Marilynn B. Brewer concluded, 'members of an in-group tend to perceive other in-group members in generally favourable terms particularly as being *trustworthy, honest, and cooperative*' (Messick and Brewer 1983, pp. 27-28; italics in original) in contrast to out-group members. By contrast, on the macro level, societies

characterized by high levels of generalized trust have been found to demonstrate highly effective political regimes, legal systems and economic institutions, e.g., high growth rates, low levels of corruption and crime and high levels of economic resources' redistribution (Rafael La Porta et al. 1998).

Therefore, both the antecedent factors and consequent results of generalized trust are likely to be dissimilar on the micro level as opposed to the macro level, as Eric Uslaner also concluded having analysed macro-level census and survey data from different developed countries, such as the US. According to Uslaner, it is the institutionalized segregation of minority groups that is likely to lead to low levels of generalized trust as its macro-level causal factor. Furthermore, as he further explains this factor affects generalized trust as part of specific macro-level causal mechanisms that can be expected to lead to low trust levels:

> 'Most critically, diversity can drive down trust when there is little opportunity for contact between groups – as where the minority group is geographically segregated from the majority. Geographic segregation breeds high in-group trust and low generalized trust, and boosts the power of politicians who use ethnic appeals. Segregated groups also have fewer resources than majority groups. Segregation and ethnic appeals are prime conditions for corruption, which in turn leads to less trust. So we have the makings of a vicious cycle of ethnic segregation, inequality, low trust, corruption, and continuing low trust in the majority.'
> (Uslaner 2006, p. 3)

As also Daniel Weinstock (1999) argues, these macro-level causes of low generalized trust level, thus, can be said to follow from the low quality of underlying political, social and economic institutions that affected individuals encounter on the micro level. Therefore, on the macro level generalized trust is primarily interrelated with corresponding institutional

frameworks. In contrast, on the micro level, trust has been found to be interrelated with interpersonal social cohesion. This is confirmed by empirical data gathered by the World Values Survey (WVS) inquiring into individual-level generalized trust with respect to micro-level agents (e.g., WVS 2000, V 25, p. 3). Yet, micro-level causal mechanisms of generalized trust cannot be considered in separation from their macro-level counterparts, since between 1981 and 2001, as a rising number of countries where included in the World Values Survey, the percentage of people demonstrating generalized trust fell from 38.5 percent in 1981 (out of 24 countries and regions only four having a majority with a generally trusting attitude) to 26.9 percent in 2001, when 82 countries included in the survey, of which eight had a trusting majority of citizens (Uslaner 2002, pp. 5-6)[109]. These findings indicate a significant effect of macro-level causal mechanisms on generalized trust that operate via county-level social, political and economic systems.

Moreover, Uslander's (2006, pp. 36-37) findings also suggest that institutional quality is highly likely to influence the functioning effectiveness levels of social, political and economic systems as antecedent factors affecting generalized trust. As Eric Uslaner (2006, p. 37), for instance, further concludes, high levels of social fragmentation as a macro-level construct may lead to low levels of trusting behaviour on the micro level. At the same time, macro-level causal mechanisms may not necessarily be significantly interrelated with micro-level trust-related outcomes, due to the mediating and moderating presence of micro-level

[109] Uslaner's bases his trust measure upon aggregate responses to the 1995 survey supplementing it with data from 1990 – when 1995 data is not available – and imputing it with scores from 13 other countries, where the variables used to impute trust are: gross national product per capita; the value of imports of goods and services; legislative effectiveness; head of state type; tenure of executive (all from the State Failure Data Set); distance from the equator (from Jong-sung You of Harvard University); and openness of the economy (from Sachs and Warner, Natural Resource Abundance and Economic Growth, 1997) (Uslaner 2006, p. 6, pp. 36-37)

causal factors that can be expected to significantly influence individual-level attitudes and dispositions that trust reflects. Thus, Nancy L. Rosenblum claims that:

> '...there is the tendency to adopt a simplistic "transmission belt" model of civil society, which says that the beneficial formative effects of association spill over from one sphere to another...The "transmission belt" model is simplistic as a general dynamic. It is one thing to say that within face-to-face rotating credit associations "social networks allow trust to become transitive and spread: trust you, because I trust her and she assures me that she trusts you," and quite another thing to show that habits of trust cultivated in one social sphere are exhibited in incongruent groups in separate spheres' (Rosenblum 1998, p. 48)

Yet, Uslaner (2002, chapters 4, 5, 7) indicates the presence of empirical evidence for a significant effect of macro-level institutional frameworks on the micro-level causal mechanisms of trust formation. Based on his research results, particular macro-level institutional factors, such as social structures, may have a significant effect on micro-level trust-related agency:

> 'Rather, we join groups *in order to have more contact with people like ourselves* – if not demographically (racial, gender, income) then in terms of interests (bowling, singing in choral societies, birdwatching, political values, among others). In short, when we join civic groups....we *are not likely to encounter people who are different from ourselves*. The entire point of such activities is to bond with people whom we can easily trust.'
> (Uslaner 2006, p. 8; italics in original)

For this reason, on the micro level high social fragmentation may be associated with low levels of generalized trust. Nevertheless, as Eric Uslaner also shows, this does not necessarily hold for macro-level causal mechanisms in general that are primarily interrelated with social,

political and economic systems rather than individual-level behaviour. He indicates that general diversity does not necessarily have a significant causal impact on individual-level generalized trust. Thus, Uslaner concludes:

> *'The simple story is that no measure of diversity – not the ethnic, linguistic, or religious fractionalization indices of Alesina* ***et al.****,* the *original Easterly-Levine ethno-linguistic fractionalization, or the newer indices of Fearon (ethnic fractionalization based upon new data, ethnic fractionalization using the Soviet Atlas data from Easterly and Levine, the cultural diversity index, or the share of the largest ethnic group) – has a strong connection to generalized trust.'*
> (Uslaner 2006, p. 12; italics and words in bold in original)

In other words, as Uslaner (ibid., pp. 13, 27) suggests, macro-level causal mechanisms are not imperatively having a significant micro-level effects as regards generalized trust. Nevertheless, as Uslaner and Brown (2005) demonstrate based on country-level diachronic empirical data, macro-level factors, such as social fragmentation, *can* have significant micro-level implications for generalized trust. Yet, corresponding macro-level mechanisms and micro-level effects are likely to be country-specific, which prevents making generalizations about the causal impact of these mechanisms on individual-level trust (Uslaner, 2006, p. 14; p. 29). Especially in the context of the US, institutionalized discrimination is highly likely to have a significant influence on individual-level generalized trust, particularly among minority groups, as Uslaner showed (2002, pp. 35-6). Consequently, Uslaner's findings provide empirical validation to the theoretical expectation that low levels of institutional quality are likely to lead to low levels of generalized trust on the micro level:

> 'economic inequality [is] the strongest determinant of trust over time in the United States, across the American states, and cross-nationally (Uslaner, 2002, chs. 6, 8; Uslaner and Brown, 2005).'
> (Uslaner 2006, p. 14; pp. 29-30)

On the macro level, generalized trust, however, needs to be interpreted in terms of the interrelationship between institutional quality and economic, political and social systems. In relation to the economic system, Uslaner specifies that '[t]he more equitable the distribution of wealth in a country, the more trusting its people will be.' (Uslaner 2000, p. 15). At the same time, the institutional quality of economic systems cannot necessarily be reduced to a single factor, such as the degree of economic equality that the Gini index[110] reflects. Nevertheless, based on country-level surveys measuring generalized trust in Eastern and Central Europe, Uslaner (ibid.) has found that trust levels are positively related with economic equality levels, which indicates that, with regard to the economic system, institutional quality is positively related to trust. While Ronald Inglehart argues that the 'level of economic development is closely linked with its level of interpersonal trust, [as] it is not a process of simple economic determinism' (Inglehart in Warren 1999, p. 91), it is possible to argue that on the macro level institutional quality, being positively interrelated with the functioning levels of economic, political and economic systems, can be expected to contribute to the development of generalized trust. Moreover, Inglehart also supports the argument that macro-level causal mechanisms are distinct from micro-level ones, even though with regard to

[110] 'The Gini index measures the extent to which the distribution of income (or, in some cases, consumption expenditure) among individuals or households within an economy deviates from a perfectly equal distribution. A Lorenz curve plots the cumulative percentages of total income received against the cumulative number of recipients, starting with the poorest individual or household. The Gini index measures the area between the Lorenz curve and a hypothetical line of absolute equality, expressed as a percentage of the maximum area under the line. Thus a Gini index of 0 represents perfect equality, while an index of 100 implies perfect inequality.' (http://data.worldbank.org/indicator/SI.POV.GINI)

particular factors these mechanisms may be interrelated, as he adds that 'interpersonal trust shows remarkably strong linkages with the religious tradition' (Inglehart in Warren 1999, p. 91). However, cultural variables can be expected to make part of micro-level causal mechanisms, since their effect differs from that of macro-level political and economic systems, especially with regard to individual-level trust. Thus, Inglehart has found that interpersonal trust is more closely intercorrelated with religion-related variables than with economic or political ones, such as GNP per capita and democratization levels respectively (ibid., p. 94). These findings tentatively corroborate the proposition that micro-level causal factors of generalized trust can be largely differentiated from macro-level factors. Since Inglehart concludes that 'a society's religious tradition seems to account for even more of the cross-national variance in interpersonal trust than does its level of economic development.' (ibid.), this tentatively indicates that culture-related variables belong to micro-level causal mechanisms of trust generation since they are closely interrelated with individual-level trust.

Furthermore, micro-level mechanisms of trust generation are also likely to be related to institutional quality, as Robert D. Putnam proposes: '...people who trust others are all-around good citizens..., and those more engaged in community life are both more trusting and more trustworthy...the critically disengaged believe themselves to be surrounded by miscreants and feel less constrained to be honest themselves' (Putnam 2006, p. 137). In other words, individual-level trust is likely to be interrelated with institutional quality to the same extent that agency and structure represent interrelated aspects of social, political and economic systems, as Daniel Weinstock also suggests, since

> 'it is important that our being well disposed and respectful of other people not be entirely due to the fact that we share some interest, identity or way of seeing the

> world…trust, rather than cohesion, shared identity or cooperation, is the core constituent of social cement.'
> (Weinstock 1999, p 307).

Similar to Wayne Norman's (1995) argument, he also states that 'history gives us no evidence to support the thought that people typically seek to unite politically with others with whom they share values' (Weinstock 1999, p 290). This corroborates the necessity to analytically distinguish between micro-level and macro-level causal mechanisms of generalized trust. Yet, even with respect to individual-level transactions, if they take place in the framework of legal, economic and political systems, macro-level causal mechanisms may be found to be effective on the micro level and vice versa. Consequently, Weinstock concludes that generalized trust 'does not depend upon our sharing either a set of values, a collaborative end or a (national, ethnic, linguistic, religious) identity' (ibid., p 293), since the effective operation of social, political and economic systems can create preconditions for generalized trust on the micro level in their own right. Therefore, Weinstock tentatively supports the presence of significant and positive interrelationship between institutional quality and generalized trust. Nevertheless, Eric M. Uslaner (2002, 2006, p. 15) also indicates that macro- and micro-level causal mechanisms are likely to either mediate or moderate the interlinkage between institutional quality and generalized trust. Since Uslaner (2006, p. 15) has found that mutual trust is based on direct and indirect information they have about each other and the situation as well as supplementary information resulting from pertinent inter-personal experiences and obtained from third parties they are inclined to take into account, these variables are likely to belong to micro-level mechanisms of trust generation.

However, based on Gordon W. Allport's (1954) theories, Thomas F. Pettigrew (1998) suggests that the impact of macro-level and micro-level mechanisms on generalized trust may intersect, as he found that in particular contexts causal mechanisms of individual-level trust are likely to comprise 'group status within the situation, common goals; intergroup cooperation; and the support of authorities, law, or custom' (Pettigrew 1998, p. 66). In other words, micro-level mechanisms of generalized trust formation are likely to comprise social capital and contact frequency as their component factors (Uslander, 2006, pp. 24-25). Moreover, causal mechanisms operative on the micro level can be expected to differ depending on social context, group and system characteristics (Forbes 1997, pp. 58-59). Thus, on the micro-level different causal mechanisms of generalized trust can be expected to have significant influence on individual-level trust-related *dispositions* across dissimilar social contexts (Uslaner 2002, p. 171). Uslaner thus writes in 2006:

> 'Trust, I argue, is a value shaped early in life; it does not change readily and is not affected by most types of experience, either positive or negative. [...] By the time a person reaches adulthood, his/her orientation towards trust is less likely to change.' (Uslaner 2006, p. 17).

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(4.3) Interrelations between Institutional Quality and Generalised Trust

Institutional quality is likely to be related to generalized trust, since 'institutions make available abundant information about the behavior of others' (Weinstock, 1999., p. 302). Therefore, high levels of institutional quality, not only according to Weinstock but according to rational choice theories, can be expected to have 'a trust-enhancing effect' (Weinstock, 1999., p. 302). At the same time, as game theorists like Jon Elster claim, on the level of individuals this interrelationship is likely to be weakened by 'uncertainty, suspicion, and play-safe behavior' (Jon Elster 1982, in Matravers and Pike 2003, p 30), which indicates the fragility of the micro-level mechanisms that may lead to generalized trust. This is further confirmed by Ruth Gavison who has found that the 'absence of dialogue and power-sharing is a weakness of democracy in divided societies' (Gavison 1999, p 68), which indicates that in some contexts macro-level factors exist that independently lead to low levels of generalized trust. Nevertheless, in his work *The Consequences of Modernity*, Anthony Giddens claims: 'the prime condition of requirements for trust is not lack of power but lack of full information' (Giddens 1990, p. 33), which suggests that it is institutional quality, rather than particular qualities of social, political or economic systems alone, which leads to generalized trust. Thus, as Eric Uslaner also suggests, generalized trust can be expected to be closely related to both micro-level and macro-level causal mechanisms, such as institutional frameworks: 'Trusting "most people" involves making judgments about strangers, since we know but a handful of people personally. And many forms of participation that depend most heavily on trust...bring us into contact with strangers' (Uslaner 1998, p. 443).

In this respect, Margaret Levi recapitulates: 'Trust is...a relational and rational, although not always fully calculated, action' (Levi in Braithwaite and Levi 1998, p. 79) and she adds that 'when citizens and clients say they trust an institution, they are declaring a belief that, on average, its agents will prove to be trustworthy.' (ibid., p. 80). Nevertheless, Margaret Levi says the following about trust: 'In many if not most cases, it depends upon confidence in institutions that back up the trustee' (ibid., p. 79), which indicates the paramount role of institutional quality for trust generation. With regard to micro-level generalized trust, Margaret Levi, thus, indicates, echoing La Porte and Metlay's views: 'Institutional trustworthiness implies procedures for selecting and constraining the agents of institutions so that they are competent, credible, and likely to act in the interest of those being asked to trust the institutions[111].' (ibid., p. 80).

For this reason, political, social and economic institutions are likely to have a significant uni-directional impact on generalized trust on the micro level, as Margaret Levy underlines: 'If trustworthy agents...vet an individual or institution as trustworthy your trust is facilitated' (ibid., p. 84). Similarly, Claus Offe who argues that: ‚Institutions generate trust among strangers […] if they are seen as conforming to and embodying these [institutional quality] criteria and are believed to motivate agents accordingly' (Offe in Warren 1999, p. 75). Yet. as Margaret Levi argues: 'The existence of such institutions does not in itself ensure the trust of citizens in government actors' (Levi in Braithwaite and Levi 1998, p. 87). In discussing 'the encapsulated interest of the government actor to honor her agreements or to act according to a certain standard.' (ibid., p. 86), Levi highlights the importance of macro-level mechanisms for the formation of generalized trust. This also indicates the crucial role of

[111] She also clarifies that 'the terminology of trusting the state or another institution carries this meaning' (Levi in Braithwaite and Levi 1998, p. 80)

institutional quality for trust generation, as Margaret Levi adds: ‘To earn the trust of the citizens, government actors place themselves in institutional arrangements that structure their incentives so as to make their best option one in which their individual benefit depends on the provision of the collective benefit’ (Levi in Braithwaite and Levi 1998, p. 87). Similar to Claus Offe and Russell Hardin, Margaret Levi thus claims:

> ‘To the extent that citizens and groups recognize that bureaucrats gain reputational benefits from competence and honesty the regulated will expect bureaucrats to be trustworthy and will act accordingly. To the extent that bureaucracies can arrange there are long-term benefits for compliance by the regulated (in the form of reputation that is fungible or side payments in the form of less intervention), the regulated are more likely to cooperate.’
> (ibid.)

In this respect, it can be assumed that high levels of institutional quality are likely to lead to ‘proven character, demonstrated consistency of trustworthiness, and encapsulated interest’ (ibid., p 86). At the same time, low levels of institutional quality may, thus, lead to distrust. The break of promises, the display of incompetence and antagonistic behaviours, as indicators of low institutional quality, can be expected to lead to low levels of generalized trust. Based on Tom Tyler’s analysis which he presented in his book *Why people obey the law* (1990), Levi continues that ‘in most cases citizens are willing to go along with a policy they do not prefer as long as it is made according to a process they deem legitimate, and they are less willing to comply with a policy they like if the process was problematic’ (Levi in Braithwaite and Levi 1999, p. 88), which corroborates the significant effect of institutional quality on micro-level generalized trust. Martin Endress confirms this: ‘It can therefore be said that everyday pre-conscious trust in contemporary societies takes on the form of institutionally

conveyed trust to a high degree' (Endress in Hartmann und Offe 2001, p. 167, footnote 9; my translation).

At the same time, Russell Hardin reinforces this conclusion by stating that 'citizens can be more or less confident in government. Although they cannot be said to trust in any strong sense of that word…they can develop generalized distrust in response to seeming failures.' (Hardin 2004, p. 31). Thus, institutional quality is likely to be interrelated with generalized trust. Where Shmuel Eisenstadt (following analyses in Eisenstadt 1999a and 1999b) speaks about the need for a 'continuous critical discourse' (Eisenstadt 1995a in Hartmann und Offe, p. 342-355) as a macro-level causal factor associated with generalized trust, Hardin asserts: 'Only if liberal distrust is alive and well can citizens in new democracies be expected to have confidence in their governments.' (Hardin 2004, p. 5). Additionally, Mark Warren highlights the role that free availability and unconstrained exchange of information play in the formation of generalized trust:

> '...trust thrives when institutions are structured so as to respond to communication. This requires (a) access to information and institutions structured so as to provide the necessary transparency, and (b) institutional means for challenging authorities, institutions, and trusted individuals'
> (Warren in Warren 1999a, p. 338)

As also Annette Baier demonstrates with her expressibility test (Baier 1986), the truster with an entirety of information at hand would be in the good position to ex-ante judge whether his trusting behaviour may be honoured (or not) and also the trusted would be able to foreknow whether a trustworthy behaviour is appropriate, which indicates the importance of institutional quality for trust generation. This supports the argument that trust depends on the

quality of institutionalized frameworks, as Warren concludes that 'the constant possibility of public scrutiny will limit the temptations of trusted authorities to exploit the relationship...' and '...trust will tend to be warranted and robust' (ibid.).

Yet, although there is abundant evidence that mutual trust is conducive to any stable democratic regime, it must be accepted that the reverse is not true in all cases. Thus, Ronald Inglehart argues: 'Political culture stabilizes democracy by providing a climate of trust and an enduring base of mass support.' (Inglehart in Warren 1999, p. 99). Much of the earlier literature on political culture did imply, yet not demonstrate empirically, whether, or at what level, mutual trust is linked with the quality of democratic institutions. In a first attempt Edward Banfield (1958) surveyed that the level of trust in Italy was geographically skewed with the northern part having a much higher level of trust than the southern part. With the results at hand he argued that the cooperation between strangers was facilitated in the North, while fostering economic development and the success of democratic institutions to a greater extent than in the South. Some years later, Almond and Verba (1963) strengthened the view that mutual trust is a prerequisite for effective democracy. They investigated into the conduciveness of trust (and other attitudes, such as the general readiness to participate) with regards to democracy and found that the people in Italy and West Germany had generally lower levels of trust (and associated attitudes) than the British and the US Americans, which resulted in a lower level of anchoring of the democratic culture. In his *Cultural Shift in Advanced Industrial Society* (1990), Ronald Inglehart has largely supported these conclusions based on cross-national findings. Although he had to emphasize the fact that culture is not a

constant but a slowly-changing variable[112], he could confirm that mutual trust (as well as related cultural orientations) strongly affects stable democracies (and economic development). The following figure (Inglehart in Warren 1999, p. 102) produced with data from the WVS from the period between 1972 and 1997 reveals the strong positive correlation between trust and the functioning of democratic institutions across the range of countries with different political set-ups:

[112] In Italy the general level of trust had gradually risen, keeping the skewness between North and South; at the same time, other assembled data showed that in the US trust in people between 1960 and 1995 had fallen. (Inglehart in Warren 1999, p. 95ff.)

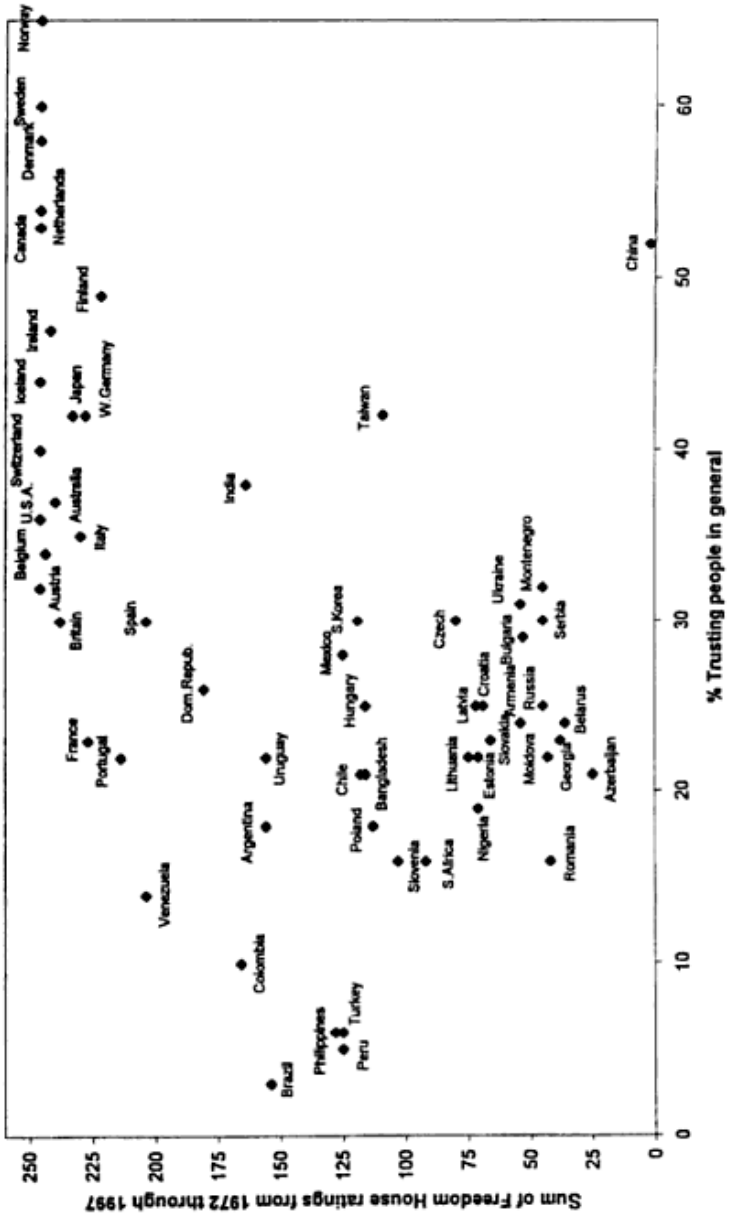

Figure 4.3 Interpersonal trust and democracy
Vertical axis is the sum of the Civil Liberties and Political Rights scores assigned to each country by Freedom House in the years from 1972 to 1997 (ratings not available for 1973, 1975 and 1977). On each of these scales, 1 is the highest possible score and 7 is the lowest possible score, producing summary scores for these countries ranging from 44 to a maximum of 288. In order to reverse polarity so that high scores indicate high levels of political rights and civil liberties, these sums were subtracted from 290, producing a new index ranging from 2 to 246. Interpersonal trust data are from latest available World Values Survey (see footnote 1). $r = 0.50$, significant at 0.0000 level.

Inglehart's chart confirms that mutual trust amongst citizens is closely connected to the institutional quality of democracy. The overall correlation with +0.50 is at a very high level, while in nearly all stable democracies from 30 percent up to above 60 percent of the public express that they trust people in general. On the other hand, all non-democratic societies or

the ones only recently converted to democracy top out exhibit generalized trust levels of 30 percent or less. However, although Inglehart argues at one point that '[i]t seems likely that democratic institutions are conducive to interpersonal trust, as well as trust being conducive to democracy' (ibid., 104), he emphasizes later on that interpreting these findings towards institutional determinism would be ill-advised. The theory that democracy *necessarily* produces trusts is not only vague but can be proven wrong. First of all the following table (ibid., 95) shows that interpersonal trust amongst people in the US has fallen from 1960 to 1995:

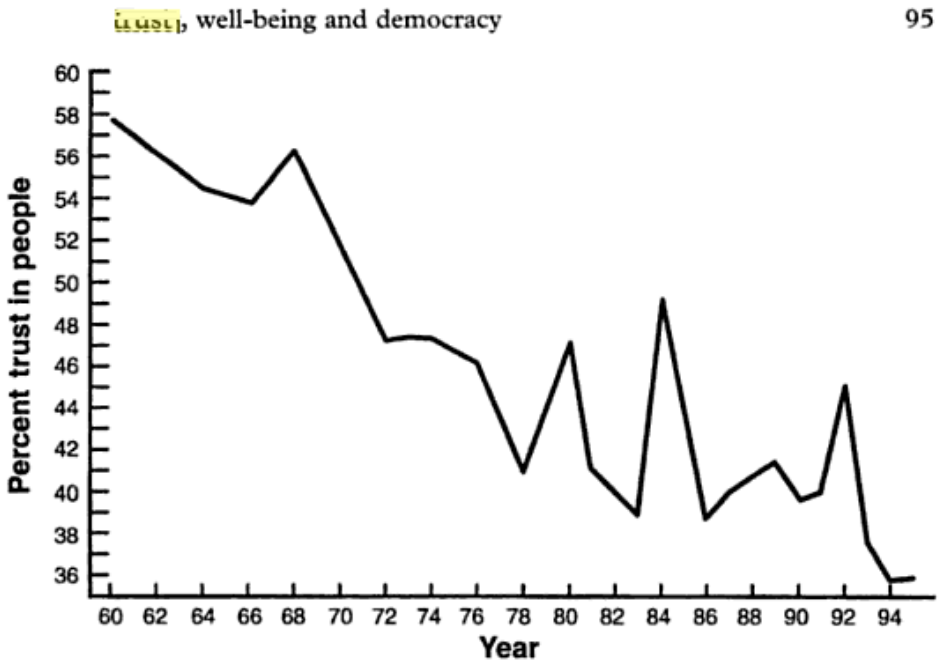

Figure 4.2 Trust in people over time: Interpersonal Inter among US public, 1960–1995
Source: 1960 data from Civic Culture Survey, 1962–1994 data from National Election Surveys and General Social Surveys, 1995 data from World Values Survey

Similarly, as Inglehart asserts, data from the 'World Value Surveys show that both subjective well-being and interpersonal trust has fallen sharply in Russia since it adopted free elections'

(ibid., p 118) Nevertheless it is certainly true as the following figure (ibid., p. 116) demonstrates, that a general pro-democratic culture being strongly linked to interpersonal trust at +0.83 is conducive to democracy (all data from ibid., p. 116; source World Bank and WVS respectively).

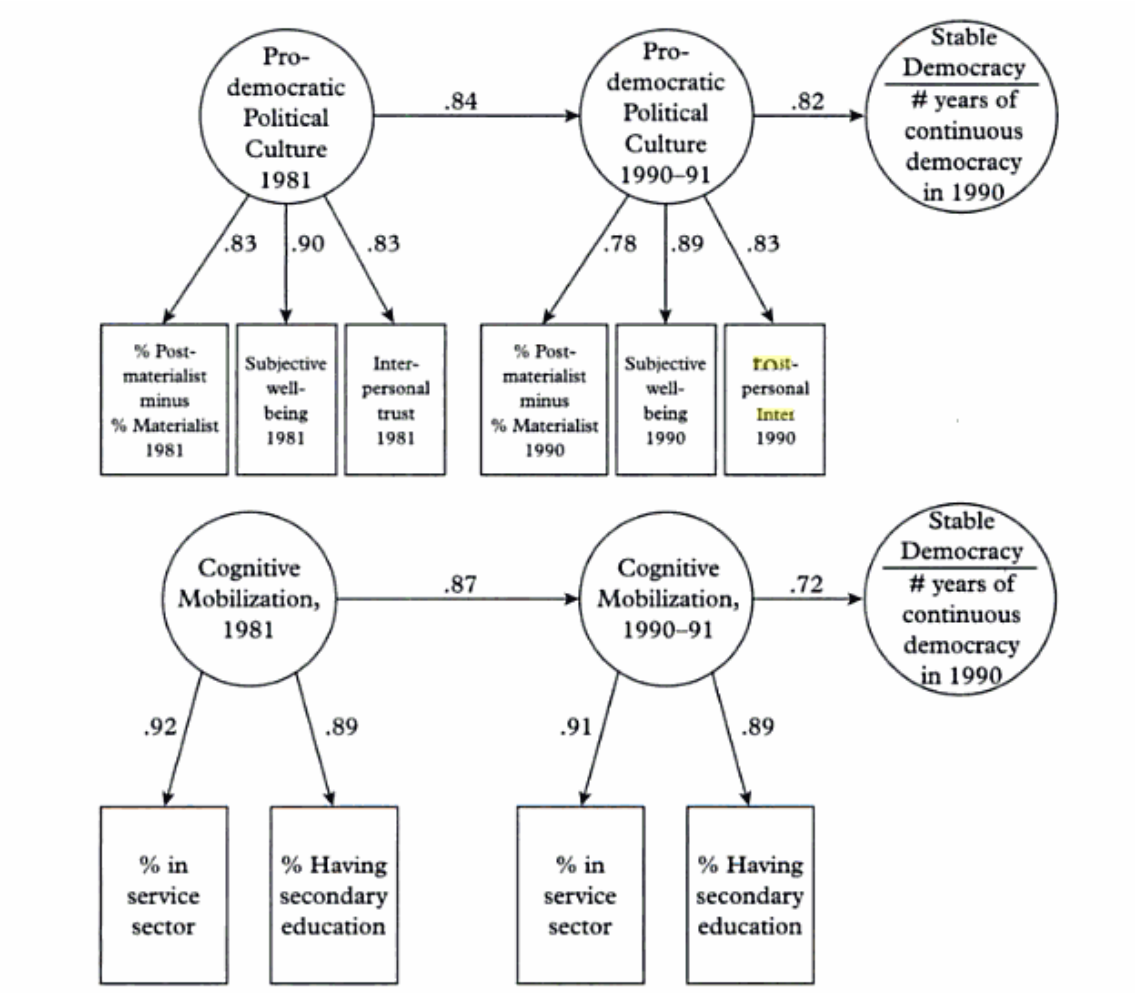

Figure 4.6 Pro-democratic political culture, cognitive mobilization and stable democracy: zero-order correlations
Source: World Bank data and 1981 and 1990–1991 World Values survey data, aggregated to national level. For political culture linkages, N = 22 (cases for which data are available for both 1981 and 1990); for cognitive mobilization linkages, N = 43.

Furthermore, Inglehart accentuates the importance of the quality of political institutional frameworks as a causal factor of generalized trust in political systems when he claims that 'if the ruling elites trust the opposition, they are far more likely to put their lives in their opponents' hands by turning power over to them in free elections' (ibid., p. 118). Moreover, trust has also been shown to exhibit a strong linkage with religious heritage, since in societies with Protestant or Confucian background interpersonal trust levels are generally higher than in those with a Catholic tradition, as the following figure (ibid., p. 91) shows:

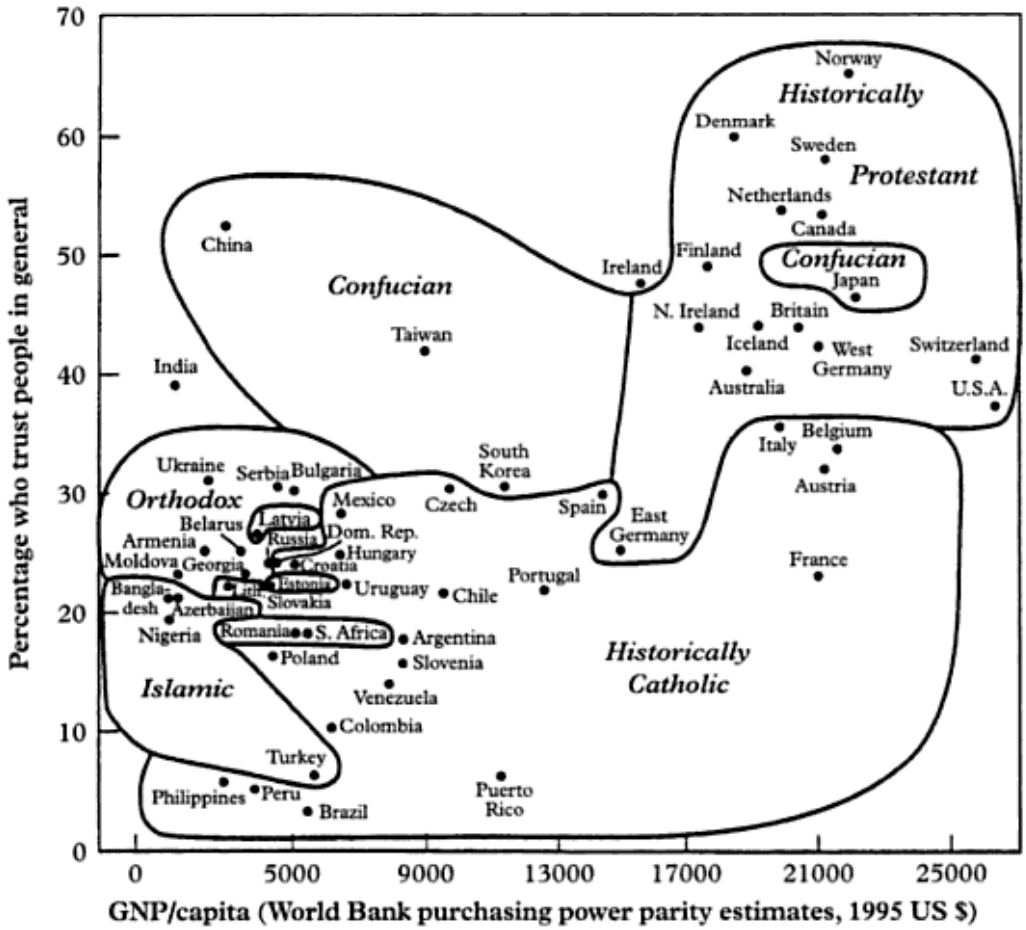

Figure 4.1 Interpersonal [illegible] cultural tradition and level of economic development and religious tradition. [illegible] GNP/capita: r = 0.63 p < 0.000

Thus, interpersonal trust levels are likely to be affected by both micro-level and macro-level cultural factors, as Inglehart suggests:

> 'horizontal, locally-controlled organizations are conducive to interpersonal trust, while remote hierarchical organizations tend to undermine it...The contrast between local control and domination by a remote hierarchy seems to have important long-term consequences for interpersonal trust.'
> (ibid., pp. 92-3)

Since the figure above also shows that apart from Confucian China all 21 ex-communist societies rank below all 13 non-communist Protestant societies in the level of their generalized trust, institutional quality can thus be expected to be significantly interrelated with trust levels. Similar to the argument proposed by Robert Putnam in *Making Democracy Work: Civic Traditions in Modern Italy* (1993), Ronald Inglehart, thus, indicates that 'rule by large, hierarchical, unresponsive, centralized bureaucracies seems to corrode interpersonal trust' (ibid., p. 92).

(5) CONCLUSION

This thesis has demonstrated both theoretical and empirical support for a significant interrelationship between institutional quality and generalized trust. As secondary sources have indicated, the better the administrative performance, the more confidence may result in political, social and economic systems, while leading to high levels of generalized trust. Moreover, this study has pointed out that it is necessary to distinguish between the macro and micro levels of trust generation, due to the presence of distinct causal mechanisms operative in relation to individual-level generalized trust as opposed to social, political and economic systems.

Thus, it can be concluded that, as a macro-level phenomenon, institutional quality is reciprocally interrelated with the functioning levels of social, political and economic institutions. By contrast, on the micro level, generalized trust can be expected to emerge from individual-level causal mechanisms that mediate the macro-level impact of institutional quality and social, political and economic systems on trust-related attitudes, perceptions and actions. Likewise, on the micro level, institutional quality is not necessarily directly interrelated with generalized trust but through the impact that social, political and economic institutions have on trust levels. Where high levels of institutional functioning and effectiveness are in place, such as with respect to the equality of wealth distribution, secondary sources have demonstrated high levels of generalized trust. In this respect, generalized trust can, thus, be assumed to be interrelated with the institutional quality of

social, political and economic systems as macro-level environments in which it is determined. Consequently, the present thesis tentatively indicates that high levels of generalized trust are likely to be associated with high levels of institutional quality in social, political and economic domains (Eisenstadt 1995a, in Hartmann und Offe 2001, p. 358). Conversely, malfunctioning institutional frameworks and political, social and economic systems are likely to be perceived as untrustworthy, while leading to low levels of generalized trust on the macro level (Sztompka 1999, p. 161-68).

By bridging analytical inquiry with secondary empirical results, this study has sought to refine the theoretical understanding of the interrelations between institutional quality, generalized trust and functional systems, while substantiating the difference between corresponding causal mechanisms that operate on the macro level as opposed to the micro level. Thereby, a contribution to scholarly discussions on generalized trust and its generative mechanisms, such as that of Diego Gambetta (1988, p. 224), has been sought to be made.

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